BION ENVIRONMENTAL TECHNOLOGIES INC
Form 10-K
September 26, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X]

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended: **June 30, 2014**

OR

[ ]

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: _____ to _____

Commission File No. **000-19333**

BION ENVIRONMENTAL TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Colorado

84-1176672

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

Box 566/1774 Summitview Way

Crestone, Colorado 81131

(Address of Principal Executive Offices, Including Zip Code)

Registrant s Telephone Number, including area code: **(212) 758-6622**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
None	
N/A	

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, No Par Value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] YES [X] NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] YES [X] NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] YES [ ] NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). N/A

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]
Accelerated filer	[ ]
Non-accelerated filer	[ ]
Smaller reporting company	[X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act)

[ ] Yes [X] No

The aggregate market value of the approximately 9,400,000 shares of voting stock held by non-affiliates of the Registrant as of December 31, 2013 approximated $7 million. As of September 8, 2014, the Registrant had 19,787,068 shares of common stock issued and 19,082,759 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (and the documents incorporated herein by reference) contain forward-looking statements, within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "project," "predict," "plan," "believe" or "continue" or the negative thereof or variations thereon or similar terminology. The expectations reflected in forward-looking statements may prove to be incorrect.

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following (not set forth in any order that ranks priority or magnitude):

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failure of the political, legal, regulatory and economic climate to support funding of environmental clean-up and enforcement of environmental rules and regulations;

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changes in the public's perceptions of large scale livestock agriculture/CAFOs, environmental protection and other related issues;

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delays in (or failure of) development of markets (or other mechanisms to monetize) for nutrient reductions from agriculture and CAFOs; failure of markets for nutrient (nitrogen and phosphorus) reductions to develop sufficient breadth and depth;

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the Company's extremely limited financial and management resources and limited ability to raise additional needed funds and/or hire needed personnel and extremely limited working capital;

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unsatisfactory resolution of negotiations with Pennvest regarding the Pennvest Loan (presently in default) and the Kreider 1 System (see Item 1, Item 7 and Notes to Financial Statements);

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further delays in the Kreider 2 System and other potential projects;

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industry risks, including environmental related problems;

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the ability of the Company to implement its business strategy;

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the extent of the Company's success in the development and operation of Integrated Projects and retrofit/remediation of existing livestock facilities;

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the ability of the Company to keep its existing personnel and their accumulated expertise including the risk of illness or death of one or more key personnel;

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engineering, mechanical or technological difficulties with operational equipment including potential mechanical failure or under-performance of equipment;

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operating variances from expectations;

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the substantial capital expenditures required for construction of the Company's proposed CAFO retrofit facilities and Integrated Projects and the related need to fund such capital requirements through commercial banks and/or public or private securities markets;

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the need to develop and re-develop technology and related applications;

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dependence upon key personnel;

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the limited liquidity of the Company's equity securities;

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operating hazards attendant to the environmental clean-up, CAFO and renewable energy production, food processing and biofuel industries;

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seasonal and climatic conditions;

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availability and cost of material and equipment;

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delays in anticipated permit approval and/or start-up dates;

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availability of capital for small public companies like Bion in the current financial markets;

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the strength and financial resources of the Company's competitors; and

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general economic conditions, including the recent recession and its effects on the national and international capital markets.

We do not undertake and specifically disclaim any obligation to publicly release the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

PART I

ITEM 1. BUSINESS.

GENERAL

Bion Environmental Technologies, Inc.'s ("Bion," "Company," "We," "Us," or "Our") patented and proprietary technology provides a comprehensive environmental solution to a significant source of pollution in US agriculture, Confined Animal Feeding Operations ("CAFO's"). Bion's technology is "comprehensive" in that it surpasses current environmental regulations for both nutrient releases to water and air emissions from livestock waste streams based upon our research to date. Because Bion's technology reduces the harmful emissions from a CAFO on which it is utilized, a CAFO (existing or to be developed) can potentially increase its herd concentration while lowering or maintaining its level of nutrient releases and atmospheric emissions.

Bion is now actively pursuing business opportunities in three broad areas 1) retrofit and environmental remediation of existing CAFO s to reduce nutrient (primarily nitrogen and phosphorus) releases, gaseous emissions (ammonia, greenhouse gases, volatile organic compounds, etc.), and pathogens, hormones and other compounds in order to clean the air and water in the surrounding areas (as described below), and 2) development of "closed loop" Integrated Projects (as described below), and 3) licensing and/or joint venturing of Bion s technology outside North America. Bion is pursuing these opportunities within the United States and internationally.

For several years, the Company focused on completion of the development of second generation waste treatment systems and applications based on its patented and proprietary waste handling/renewable energy technology ("Bion System" or "System") and its technology platform based on its core technology. The re-development process was substantially completed three years ago and the initial commercial system based on our updated technology has been constructed and is in commercial operation in Pennsylvania. Current research and development work is focused on additional applications for our second generation technology and work toward development of the next generation.

Currently, Bion is focused on using applications of its patented and proprietary waste management technology to pursue three main business opportunities: 1) environmental retrofit and remediation of the waste streams of existing CAFOs in selected markets where government policy supports such efforts (such as the Chesapeake Bay watershed) and expansion of such opportunities into other regional markets; and 2) development of Integrated Projects which will include large CAFOs, such as large dairies, beef cattle facilities and hog farms, with Bion waste treatment system modules processing the aggregate CAFO waste stream from the equivalent of 40,000 or more beef and/or dairy cows (or the waste stream equivalent of other species) while recovering cellulosic biomass (to be utilized for renewable energy production) and nutrient rich solids (that can potentially be marketed as feed and/or fertilizer), integrated with an ethanol plant capable of producing 40 (or more) million gallons of ethanol per year and/or with CAFO end product processors and/or hydroponic & other greenhouse growers(referred to as Project(s) or Integrated Project(s)), and 3) licensing and/or joint venturing of Bion s technology outside North America.

The Company began pursuing these opportunities within the United States during the later stages of technology re-development in 2009 and has recently begun activities to pursue such opportunities internationally as well.

A substantial portion of our activities involve public policy initiatives (by the Company and other stakeholders) to encourage the establishment of appropriate public policies and regulations (at federal, regional, state and local levels) to facilitate cost effective environmental clean-up and thereby support our business activities.

During 2008, the Company reorganized its management and operational structure to pursue its business plan primarily through two operating subsidiaries in order to focus on its two related but distinct business opportunities: 1) Bion Services Group, Inc. ('Services Group') is focused on utilization of Bion's technology to provide environmental waste treatment (often with renewable energy production from the waste stream) to retrofit/remediate existing livestock facilities; and 2) Bion Integrated Projects Group, Inc. ('Projects Group') will utilize Bion's patented technology to develop new, state-of-the-art, 'closed loop' livestock/renewable energy facilities integrated with related agriculture activities such as food processing and biofuels production in Integrated Projects (as defined below). Services Group will also provide its services and utilize its personnel to provide design, engineering and construction and project management services to support the activities of Projects Group.

Services Group has proceeded with its initial projects at Kreider Farms in Pennsylvania as described below, including the recently constructed Kreider Farms Phase 1 System (owned by a subsidiary) and is pursuing opportunities in other locations. Projects Group is moving forward with pre-development activities for its initial Integrated Project(s) in the Northeast United States (most likely in Pennsylvania) and preliminary work on other potential projects. The Company has also recently initiated activities to pursue licensing and both of these opportunities internationally.

We believe that Bion's technology platform creates the opportunity to develop Integrated Projects that profitably integrate large-scale CAFO's and their end-product users, renewable energy production from the CAFO waste stream, on site utilization of the renewable energy generated and biofuel/ethanol production in an environmentally and economically sustainable manner while reducing the aggregate capital expense and operating costs for the entire integrated complex. In the context of our Integrated Projects, Bion's waste treatment technology, in addition to mitigating polluting releases to water and emissions to air, will recover cellulosic biomass from portions of the CAFO waste stream from which renewable energy can be produced to be utilized by integrated ethanol plants, CAFO end-product processors (including cheese, ice cream and /or bottling plants in the case of dairy CAFOs and/or slaughter and/or further processing facilities in the context of beef CAFOs) and/or other users as a replacement for fossil fuel energy or sold to unrelated purchasers. Also, an integrated ethanol plant's main by-product, called distillers grain, can be added to the feed of the animals in wet form thereby potentially lowering the: i)capital expenditures, ii) operating, marketing and shipping costs, and iii) energy/fossil fuel usage of the ethanol production process. Thus, integrated ethanol plants will act as a feed mill for the CAFO, thereby reducing the CAFO's feeding costs and both

lowering costs and generating revenue to the ethanol plant(s), and also provide a market for the renewable energy from the cellulosic biomass that Bion's System (defined below) modules produce from the CAFO waste stream. As such, Bion Integrated Projects can be denominated "closed loop". We anticipate that the participants in our Integrated Projects will have substantially lower carbon footprints per unit of production compared to non-integrated producers of the same products. We anticipate that different projects will be integrated to different degrees and in different manners. Bion, as developer of, and a participant in, its Integrated Projects, anticipates that it will share in the cost savings and revenue generated from these (and other) benefits of integrated activities.

We anticipate that most projects undertaken by the Company in which we retain ownership interests (whether retrofit or Integrated Projects) will be pursued through and owned by single project subsidiaries. Bion PA 1 LLC (PA-1), through which we developed the Bion System required by Phase 1 of the Kreider project and Bion PA 2 LLC (PA-2), through which we anticipate developing the Kreider Renewable Energy Facility (see below), are the first two of what are likely to be many such entities.

The Company's consolidated financial statements for the years ended June 30, 2014 and 2013 included herein have been prepared assuming the Company will continue as a going concern. The Company has not recorded significant revenue from operations for either of the years ended June 30, 2014 or June 30, 2013. The Company has incurred net losses of approximately of $5,762,000 and $8,250,000 during the years ended June 30, 2014 and 2013, respectively. The Company had a working capital deficit and stockholders' deficit, respectively, of approximately $11,784,000 and $7,531,000 as of June 30, 2014. The report of the independent registered public accounting firm on the Company's consolidated financial statements as of and for the years ended June 30, 2014 and June 30, 2013 includes a "going concern" explanatory paragraph, which means that there are factors that raise substantial doubt about the Company's ability to continue as a going concern.

PRINCIPAL PRODUCTS AND SERVICES

Currently, Bion is focused on using applications of its patented waste management technology to pursue three large opportunities: 1) retrofit and environmental remediation of existing CAFOs (pursued through Services Group), 2) development of Integrated Projects (pursued through Projects Group) and 3) licensing and/or joint venturing of Bion s technology outside North America.

Bion's Services Group, building upon our redeveloped technology and Bion's 15 years' of experience providing waste treatment services to the livestock industry with its first generation technology applications, is pursuing the opportunity related to retrofit and environmental remediation of existing CAFOs. Our technology has evolved and been upgraded over the last five years to meet changing standards and requirements. Bion's re-developed technology platform creates a potentially profitable business opportunity to provide waste treatment services and systems and/or renewable energy production capability to existing large livestock operations (of which there are many) and potentially to smaller facilities through aggregation of waste streams. Early candidates for these solutions include individual CAFO facilities that face impending regulatory action, CAFOs that wish to expand or relocate, and operations located in regions that suffer severe and immediate environmental issues, such as the Chesapeake Bay watershed, Great Lakes region and/or the San Joaquin Valley, where financial incentives (such as nutrient reduction credit trading programs) are (or may become) available that encourage voluntary reductions of nutrient releases and/or atmospheric emissions from agricultural sources. The Company's Kreider Farms projects in Pennsylvania in the Chesapeake Bay watershed represent the Company's first new endeavors in this market segment. These installations are designed and intended to reduce nitrogen and phosphorus releases and ammonia emissions from the dairy and poultry waste streams to generate tradable nutrient reduction credits as part of a nutrient credit trading program through the PA Department of Environmental Protection (PADEP). Phase 2 of the Kreider project, which is in its early development and pre-permitting phase, will treat the recovered cellulosic solids recovered from Kreider's dairy waste by the Phase 1 Kreider System and the waste stream from Kreider's poultry operations to generate renewable energy and tradable credits. **To complete and operate these projects, substantial capital (equity and/or debt) has been and will continue to be expended. Additional funds will be needed to be expended for continuing operations of the Kreider Phase 1 system until sufficient revenues can be generated, of which there is no assurance. Upon successful construction and operation of these systems, the Company anticipates that it will earn revenue primarily from the sale of nutrient reduction (and/or other) environmental credits related to the Kreider Phase 1 system and the Kreider Phase 2 poultry waste treatment system (not yet constructed), and secondarily through sales of renewable energy generated by the Kreider systems. To date the market for long-term nutrient reduction credits in Pennsylvania has been very slow to develop and the Company s activities have been negatively affected by such lack of development. Due to the slow development of the nutrient reduction credit market, the Company determined that the carrying amount of the property and equipment related to the Kreider 1 project exceeded its estimated future undiscounted cash flows based on certain assumptions regarding timing, level and probability of revenues from sales of nutrient reduction credits and, therefore, recorded a $2,000,000 impairment of the Kreider 1 assets. Additional impairments may result if the nutrient credit market does not develop in the near term.**

Bion's Projects Group is pursuing the opportunity related to development of Integrated Projects which will include large CAFOs (such as large dairies, beef cattle feed lots and/or hog farms) with Bion waste treatment System modules processing the aggregate CAFO waste stream from the equivalent of 20,000 to 80,000 (or more) beef or dairy cows (or the waste stream equivalent of other species) while recovering cellulosic biomass to be utilized for renewable energy production (and possibly high nutrient fine solids to be marketed as feed and/or fertilizer), integrated with

CAFO end product users/processing facilities and/or a biofuel/ethanol plant capable of producing 40 million to 100 (or more) million gallons of ethanol per year. Such Integrated Projects will involve multiple CAFO modules of 10,000 or more beef or dairy cows (or waste stream equivalent of other species) with waste treatment modules on a single site and/or on sites within an approximately 30 mile radius. Bion believes its technology platform will allow integration of large-scale CAFO's with end product processors and/or ethanol production together with renewable energy production from cellulosic biomass recovered from the waste streams and on-site energy utilization in a 'closed loop' manner that will reduce the capital expenditures, operating costs and carbon footprint for the entire Integrated Project and each component facility. Some Projects may be developed from scratch while others may be developed in geographic proximity to (and in coordination with) existing participating CAFOs, ethanol plants and/or end product processors. Each Project is likely to have different degrees of integration, especially in the early development phases.

The Company anticipates selecting a site for its initial Integrated Project (and possibly additional Integrated Projects) during 2015. **Bion hopes to commence development of its initial Integrated Project by optioning land and beginning the permitting process during 2014-5, but delays are possible.**

Bion has begun pre-development work on an Integrated Project planned to include partial integration of a large-scale beef cattle finishing operation, an existing beef processing facility and an existing ethanol production facility to be located in Pennsylvania. The Company has begun discussions with various state and regional agencies in Pennsylvania and major agricultural industry entities regarding this potential Project. Limited progress has been made in the pre-development process to date because the Company has primarily focused its efforts in Pennsylvania on its two projects at Kreider Farms. However, the Company currently believes there is a significant likelihood that it will option land in Pennsylvania for our initial Integrated Project during the current fiscal year and move into the development process during 2015. In addition to the Pennsylvania beef cattle project, Bion has considered a similar Project to be located in upstate New York and has been in discussions with various local and state governments and agencies in New York regarding such a Project. Additionally, the Company has been in long term very preliminary discussions with various local and state agencies in the Midwest regarding potential development of a large scale integrated dairy/cheese Integrated Project (which would be integrated with one or more existing ethanol plant(s)). Locations in other states are also under consideration for the Company s Integrated Projects. **It is not possible at this time to firmly predict where the initial Project will be developed or the order in which Projects will be developed. All of these potential Projects are in very early pre-development stages and may never progress to actual development or may be developed after other Projects not yet under active consideration.**

Bion also intends to choose sites for additional Projects through fiscal years 2015-16 to create a pipeline of Projects. Management has a 5-year development target (through calendar year 2020) of approximately 8-20 Integrated Projects. At the end of the 5-year period, Bion projects that 3-8 of these Integrated Projects will be in full operation in 3-6 states (and possibly one or more foreign countries), and the balance would be in various stages ranging from partial operation to early development stage. It is possible that one or more Integrated Projects will be developed in joint ventures specifically targeted to meet the growing animal protein demand outside of the United States (including without limitation Asia, Europe and/or the Middle East). **No Integrated Project has been developed to date.**

The Company's successful accomplishment of its business activities is dependent upon many factors (see 'Forward-Looking Statements' above) including without limitation the following, none of which can be assured at this date:

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Successful development and completion of the first Integrated Project to demonstrate the operation of a fully integrated, environmentally compliant, Bion-based CAFO/ethanol Project at a profitable level; and

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Establishment of a substantial and liquid market for nutrient reductions generated from the Company s present and future facilities on CAFOs; and

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Our ability to raise sufficient funds to allow us to finance our activities and projects; and

.

Regulatory and enforcement policies at the Federal, State and local levels.

INDUSTRY BACKGROUND

The traditional business model for CAFO's, regardless of livestock type, has relied on a combination of: 1) a passive environmental regulatory regime (including exemptions pursuant to certain statutes), and 2) access to a relatively unlimited supply of cheap land and water to serve as the basis for "environmental" treatment of animal waste. Such land and water resources have now become significantly more expensive while ongoing consolidation of the CAFO industry has produced substantially increased and more concentrated waste streams. At the same time, regulatory scrutiny of, and public concern about, the environmental impact from CAFO's has intensified greatly.

The production of animal protein (meat and dairy) in the United States (and elsewhere) now faces substantial production constraints due to environmental pollution problems (primarily air and water), public health concerns, resource limitations (land, water and energy), input cost increases (feed, fuel, etc.) and, potentially, climate change, each of which negatively affect both the current profit levels and the future activities of the industry as currently structured. Bion believes that its technology can not only remediate many of these problems but can also be a catalyst for substantial amounts of needed relocation and rationalization required by the livestock industry in the U.S.

Agricultural release of nitrogen and phosphorus into rural watersheds negatively effect and create large remediation costs not only for local waterways and aquifers but also for downstream water bodies and urban areas. Bion s remediation business opportunity focuses on its ability to efficiently remove nutrients (primarily nitrogen and phosphorus) and prevent air emission at the CAFO source at far lower cost than such nutrients can be removed downstream in municipal waste water and storm water treatment facilities in urban areas.

Agricultural runoff (including re-deposition of nitrogen from ammonia off-gassing) is the largest water pollution problem in the United States. Over-application of animal waste to cropland has resulted in manure nutrients polluting surface and ground water systems, adversely impacting water quality throughout the country including the Chesapeake Bay, the Great Lakes and the Gulf of Mexico 'Dead Zone'. Clean-up initiatives for the Chesapeake Bay, the Great Lakes and elsewhere are requiring the expenditure of substantial sums of money to reduce excess nutrient pollution. In each such case, agriculture in general--and CAFO's in particular--have been identified among the main contributors of pollution. CAFO's are also significant emitters of pollutants to air, with dairy CAFO's having been identified as the largest contributor to airborne ammonia and other polluting gases in the San Joaquin Valley and elsewhere and among the largest contributors to nutrient pollution of the Chesapeake Bay. A substantial volume of the nitrogen released to the atmosphere from CAFO waste streams as ammonia and other nitrogen gases emitted by CAFOs is re-deposited to the ground and then adds to nitrogen pollution of surface and ground water systems. Further, untreated manure from CAFO s has been linked to pathogens on food and hormones in water supplies. Bion believes that its patented and proven technology offers the only comprehensive solution to the environmental impacts of these concentrated livestock waste streams.

We believe Bion's technology can enable animal protein production to take place in a manner which is both economically and environmentally sustainable because our technology removes nutrients from the waste streams generated by animal operations at the source and dramatically reduces releases to water and gaseous atmospheric emissions. The potential resulting herd concentration increase (due to lower pollution) will reduce marginal costs of production for the CAFO s. Previously unavailable locations close to markets, feed and other needed inputs may become available due to the reduced pollution created by our technology. Also, it results in a core Bion technology platform that integrates environmental treatment and renewable energy production and utilization with ethanol production, thereby creating the Company's Integrated Projects business opportunity.

In the context of Integrated Projects, Bion's waste treatment technology and technology platform (and the resulting herd concentration), in turn, potentially provide the opportunity to integrate a number of revenue generating operations (thereby reducing unit production costs) while maximizing the realized value of the renewable energy production. The Bion Integrated Project model will access diversified revenue streams through a balanced integration of herd and technologies to provide a hedge of the commodity risks associated with any of the separate enterprises. We believe that Bion's Integrated Projects may generate revenues and profits for the Company from one or more of

the following items:

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Waste processing and technology licensing fees;

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Fees and savings related to permanently integrated utilization of the wet distiller grains, which are a by-product of ethanol production;

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Renewable energy production from the cellulosic biomass recovered from the livestock waste streams combined with utilization of the energy produced within the Integrated Projects;

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Ethanol production cost savings;

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Various "environmental" credits; and

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Other items including feed products or fertilizers.

Exactly what fees and revenues accrue to Bion will depend on the nature of Bion's participation in each Integrated Project and on negotiations with other participants in such Projects. If Bion is simply the operator of its Waste System within an Integrated Project that it develops, it would probably generate revenue from: a) waste processing and technology licensing fees charged to the CAFO, b) sales of renewable energy to the ethanol plant and/or other facilities, c) fees related to the utilization of the wet distillers grain made possible by the integration, d) fees for its "developer" role, and/or e) sales of the fertilizer and/or other products generated from the waste treatment process. If Bion also participates in the ownership and/or operation of the ethanol plant, it would further generate revenue from sales of ethanol and sales of feed products to the CAFO. Sales of distillers grain as feed products generally represent 14-20% of the total revenues of an ethanol plant if there is an available market for the distillers grain. If Bion participates in the ownership and/or operation of the integrated CAFO (and its facilities), we will most likely also generate revenues from the sale of the CAFO's end products. While it is possible that Bion would have a uniform ownership interest throughout a Project, it is likely that in many cases Bion will have differing ownership interests (from 0% to 100%) in each component of an Integrated Project.

We believe that our technology platform and the proposed Projects do not involve significant technology risk. Our waste handling technology is modular and scalable, has been utilized efficiently in the past and has been verified by

peer-reviewed data in extended commercial-sized operation. Our first new generation Bion System module (at the Kreider dairy farm in Pennsylvania) is now operational and performing up to (or exceeding) expectations for nutrient removal from the CAFO waste stream. The other Project components required for an integrated operation, such as CAFO facilities, ethanol plants and solids separation, drying and combustion equipment, primarily consist of available and fully-tested processes and equipment (or process and/or equipment which Bion has tested at its facilities) that do not pose any experimental challenges once properly sized, selected and installed. It is Bion's ability to integrate the component parts in a balanced proportion with large CAFO herds and ethanol production in an environmentally sustainable manner that creates this unique economic opportunity. Bion has a patent pending relating to the Bion integration model described herein.

Bion has identified three primary market opportunities to potentially develop Integrated Projects depending on the facilities that exist in a given geographic region:

Existing Processing: Our technology enables newly-permitted livestock herds to be located near existing beef or dairy processing plants. A dedicated herd with Bion s environmental treatment will potentially create the opportunity for the processor to brand finished products as being 'environmentally-responsible,' 'Green,' or 'locally-grown,' as well as provide single sourcing for inputs resulting in improved food safety, security and accountability. Locating the herd in close proximity to the existing processing plant will likely substantially reduce its transportation costs and carbon footprint and the processing plant can purchase and utilize the renewable energy Bion produces from the cellulosic biomass recovered by Bion from the CAFO wastes to reduce purchases of fossil fuel.

Existing Ethanol: Newly-permitted livestock herds can be located near existing ethanol plants that are struggling in the current economic environment. In Bion's closed-loop livestock/ethanol model, a corn ethanol plant serves as a feed mill for the livestock herd and the ethanol plant provides its distiller grain co-product on a wet basis to supplement the herd's ration, eliminating the ethanol plant's traditional costs to dry, market and ship its distiller grains. The ethanol plant becomes an onsite/local consumer of the renewable energy generated from the herd's waste that replaces all of the remaining fossil fuel requirements of the ethanol plant. Efficiency can be significantly increased since integration enables three 'shots' at the corn: i) first ethanol is produced from it, then ii) it is fed to the cows, and finally iii) renewable energy is produced from the cellulosic biomass portion recovered from the livestock waste stream. Integration with Bion's technology platform has the potential to more than triple the energy efficiency of corn ethanol production, improving the generally-accepted net energy balance of 1.4 to 1 to approximately 3.5-5 to 1 range (based on the Argonne National Laboratories GREET model assessment of a similar integrated, closed-loop project) -- similar to the efficiency targets publicly discussed for future cellulosic ethanol production--and thereby greatly reduce the carbon footprint.

Greenfield Projects: Bion will develop new state-of-the-art Projects in selected locations that maximize economic advantages of the Projects' participants. Bion's partners in these Projects will potentially realize increased productivity and profits by capitalizing on the operational and resource efficiencies of integration as described elsewhere herein.

Additionally, the facilities and processes of Greenfield Project participants will be optimized to provide the greatest benefit to the Project as a cooperative enterprise. Further market advantages may result from strategic location, such as proximity to high-value product markets, product branding, and economic development incentives, subsidies and tax credits.

Bion anticipates that the output (meat or dairy) from one or more Integrated Projects (in any of the categories above) may be primarily dedicated international export markets designated by Project participants. Bion has recently commenced activities related to participation of international end users in our Projects.

Although we have developed the structure and basic design work related to Integrated Projects, we have not yet actually developed or operated an Integrated Project. Further, we have not completed the development of all of the System applications that will be necessary to address all targeted markets (such as swine, poultry, etc.) and all geographic areas and we anticipate a continuing need for the development of additional applications and more efficient integration.

The basic integration in a fully integrated Project might include (but may vary from) the following:

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An ethanol plant and CAFO combination sized to balance the distillers grain by-product of the ethanol production with the feed requirements of the CAFO herd and to meet or exceed the energy needs of the ethanol plant with the renewable energy produced by Bion from the CAFO waste stream. Beyond the production of ethanol, the ethanol facility will function as a feed mill for the CAFO herd which will utilize the spent grain from ethanol production on a wet basis in its feed ration, materially reducing the operating expenses (energy and transportation) and capital expenditure requirements (for items such as dryers) and increasing the net energy efficiency of ethanol production;

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Additionally, the ethanol plant is potentially a source of waste heat (which, if not productively utilized, would increase ethanol production costs for required disposal) to be used to maintain temperatures throughout the co-located Bion System or dry captured cellulosic solids or other byproducts from the waste stream. In colder climates, additional uses of this waste heat will potentially include heating some of the CAFO facilities or other integrated facilities;

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Processing, drying and combusting/gasifying the recovered cellulosic biomass portion of the CAFO's manure stream to produce heat used for solids drying and to replace natural gas usage by the ethanol production process and other co-located facilities;

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Drying and processing of the fine solids portion of the CAFO's waste stream (if any) into a value-added, marketable, organic fertilizer and/or high protein feed product ingredients; and

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Co-located end-product production facilities (cheese and/or other dairy processors, beef processing facilities, etc.) and/or greenhouse agriculture facilities that will utilize the output of the CAFO and consume renewable energy produced from the CAFO waste stream.

In order to implement this plan, Bion will need to work with (and/or acquire) CAFO's, ethanol producers and/or end-product processors to generate multi-party agreements pursuant to which the Integrated Projects will be developed and which will provide that, at a minimum, the following take place: a) the CAFO and ethanol plant (and other facilities) agree to locate in geographic proximity to each other, b) Bion licenses, constructs and operates its Systems to process the CAFO's waste stream and produces renewable energy and other products from the waste stream, c) the CAFO agrees to purchase and utilize the wet distillers grain by-product of the ethanol plant in its feed ration and d) the ethanol plant and/or end product facilities agree to purchase and utilize the renewable energy produced by Bion from the CAFO waste stream in the place of natural gas or other energy purchases. These agreements could be in the form of joint ventures, in which all parties share the cost and ownership of all facilities in the Integrated Project (in negotiated uniform or varied manners across the various facilities), or in other forms of multi-party agreements including agreements pursuant to which Bion would bear the cost of construction of its System and the owners of the CAFO and the ethanol plant would bear the cost of construction of the CAFO facilities and ethanol plant, respectively, and negotiated contractual arrangements would set forth the terms of transfer of products (wet distillers grain, combustible dried solids, etc.), energy and dollars among the parties.

CORPORATE BACKGROUND

The Company is a Colorado corporation organized on December 31, 1987. Our principal executive offices are located at the residence of our President at 1774 Summitview Way, Crestone, Colorado 81131. Our primary telephone number is 212-758-6622. We have no additional offices at this time.

HISTORY AND DEVELOPMENT OF OUR BUSINESS

Substantially all of our business and operations to date has been conducted through wholly-owned subsidiaries, Bion Technologies, Inc. (a Colorado corporation organized September 20, 1989), Bion Integrated Projects Group, Inc. ("Projects Group") (formerly Bion Dairy Corporation through August 2008 and originally Bion Municipal, Inc., a Colorado corporation organized July 23, 1999) and Bion Services Group, Inc. ("Services Group") (formerly Bion International, Inc., a Colorado corporation organized July 23, 1999) and BionSoil, Inc. (a currently inactive Colorado corporation organized June 3, 1996). Bion is also the parent of Dairy Parks, LLC (an inactive Delaware entity organized July 25, 2001), Bion PA 1 LLC (a Colorado entity organized August 14, 2008) (PA-1) and Bion PA 2 LLC (a Colorado entity organized June 24, 2010) (PA-2). In January 2002, Bion entered into a series of transactions whereby the Company became a 57.7% (now 58.9%) owner of Centerpoint Corporation (a Delaware corporation organized August 9, 1995) ("Centerpoint").

Although we have been conducting business since 1989, we determined that we needed to redefine how we could best utilize our technology during 2003. From 2003 through early 2008, we primarily worked on technology improvements and applications and in furtherance of our business model of Integrated Project development. During 2008 we re-commenced pursuing active commercial transactions involving installation of our Systems for CAFO waste treatment and related environmental remediation and initiation of development of our initial Integrated Projects.

Our original systems were wastewater treatment systems for dairy farms and food processing plants. The basic design was modified in late 1994 to create Nutrient Management Systems ("NMS") that produced organic soil products as a byproduct of remediation of the waste stream when installed on large dairy or swine farms. Through June 30, 2002, we sold and subsequently installed, in the aggregate, approximately 30 of these first generation systems in 7 states, of which we believe approximately 5-10 are still in operation in 3 states. We discontinued marketing of our first generation NMS systems during fiscal year 2002 and turned control and ownership of the first generation systems over to the farms on which they were installed over the following two years. We were unable to produce a business model based on the first generation systems that would generate sufficient revenues to create a profitable business. While continuing to market and operate the first generation systems, during the second half of calendar year 2000, we began to focus our activities on developing the next generation of the Bion technology. We no longer operate or own any of the first generation NMS systems.

As a result of our research and development efforts, the core of our current technology was re-developed during fiscal years 2001-2004. We designed and tested Systems that used state-of-the-art, computerized, real-time monitoring and system control with the potential to be remotely accessed for both reporting requirements and control functions. These Systems were smaller and faster than our first generation NMS systems. The initial versions of our new generation of Bion Systems were designed to harvest solids used to produce organic fertilizer and soil amendments or additives (the "BionSoil(R) products") in a few weeks as compared to six to twelve months with our first generation systems.

During 2003-4 we designed, installed and began testing a commercial scale, second generation Bion System as a temporary modification or retrofit to a waste lagoon on a 1,250 milking cow dairy farm in Texas known as the DeVries Dairy. In December 2004, Bion published an independently peer-reviewed report, a copy of which may be found on our website, www.biontech.com, with data from the DeVries project demonstrating a reduction in nutrients (nitrogen and phosphorus) of approximately 75% and air emissions of approximately 95%. More specifically, those published results indicated that the Bion System produced a 74% reduction of nitrogen and a 79% reduction of phosphorus. The air results show that the Bion System limited emissions from the waste stream as follows: (in pounds per 1,400 pound dairy cow per year):

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Ammonia

0.20

.

Hydrogen Sulfide

0.56

.

Volatile Organic Compounds

0.08

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Nitrogen Oxides

0.17

These emissions represented a reduction from published baselines of 95%-99%.

Through 2007 the demonstration project at the DeVries Dairy in Texas also provided Bion with the opportunity to explore mechanisms to best separate the processed manure into streams of coarse and fine solids, with the coarse cellulosic solids/biomass supporting generation of renewable energy and the fine solids potentially becoming the basis of organic fertilizer products and/or a high protein animal feed ingredients. On-going research was also carried out on various aspects of nutrient releases and atmospheric emissions.

Bion discontinued operation of the DeVries demonstration research system during 2008.

During the 2005-2008 period, Bion focused on completing development of its technology platform and business model. As such, we did not pursue near term revenue opportunities such as retrofitting existing CAFO's with interim versions of our waste management solutions, because such efforts would have diverted scarce management and financial resources and negatively impacted our ability to complete development of an integrated technology platform in support of large-scale sustainable Integrated Projects.

Bion is now actively pursuing business opportunities in three broad areas: 1) retrofit and environmental remediation of existing CAFO s to reduce nutrient (primarily nitrogen and phosphorus) releases, gaseous emissions (ammonia, greenhouse gases, volatile organic compounds, etc.), and pathogens, hormones and other compounds in order to clean the air and water in the surrounding areas, 2) development of "closed loop" Integrated Projects (as described above), and 3) licensing and/or joint venturing of Bion s technology outside North America. Bion is pursuing these opportunities within the United States and internationally.

We believe significant remediation/retrofit opportunities exist that will enable us to generate additional future revenue streams from Bion's technology. The initial retrofit opportunities we are pursuing have related to the existing clean-up program for the Chesapeake Bay ('Chesapeake Bay Program' or 'CB Program'). Recently the Company has re-deployed some of its resources toward an initiative in the Great Lakes/North Central states. The Company anticipates that further opportunities for our remediation/retrofit business will develop in other areas with CAFO s including the watersheds of the Great Lakes (from New York to Minnesota), the extended Mississippi River/Gulf of Mexico watershed (including its tributaries from Pennsylvania in the east to Montana/Wyoming/Colorado in the west), and other areas with excess nutrient pollution from agriculture in general and CAFO s in particular.

Chesapeake Bay Watershed: Kreider Farms Projects/Pennsylvania Initiatives

The urgency and priority of the need to clean up nutrient (primarily nitrogen and phosphorus) pollution to the Chesapeake Bay was clearly demonstrated with promulgation of President Obama's 2009 Executive Order concerning clean-up of the Chesapeake Bay and the EPA s publication and issuance during December 2010 of the Chesapeake Bay Total Maximum Daily Load (TMDL) standard (http://www.epa.gov/reg3wapd/tmdl/ChesapeakeBay/tmdlexec.html) for nutrient pollution in Chesapeake Bay tributaries. In May 2010, the EPA published their overall strategy for remediating the Chesapeake Bay, and they have committed to reducing nitrogen and phosphorus flows to the Bay sufficiently to enable 60% of the Bay watershed segments to meet water quality standards by 2025. At that time, 89 of the 92 Bay and tidal watershed segments were not in compliance with water quality standards (97% out of compliance). The EPA and associated state agencies also committed to short-term 3-year compliance milestones to enhance accountability and corrective actions, along with a host of definable and measurable goals, enhanced partnerships, and major environmental initiatives. Based on these actions, it is anticipated that much greater compliance will be required by the water year starting October 1, 2015. EPA documents defined the overall mission as requiring an approximately 65 million pound annual reduction from existing nitrogen (N) loading to the Chesapeake Bay by 2025, of which 35 million pounds was allocated to Pennsylvania. Importantly, the 3-year compliance milestones were established as a part of the compliance program to add both short- and long-term accountability to state actions associated with reduced nutrient and sediment flows to the Chesapeake Bay. According to the EPA s Evaluation of Pennsylvania s Milestone Progress, PA finished the 2012-2013 milestone period more than 2 million pounds behind schedule for nitrogen reductions and is on track to fall 6 million pounds short of its 2017 target. As a result, EPA has placed PA s agriculture and urban/suburban sectors under a Backstop Actions Level , the highest level of EPA oversight.

As a result of the host of both short and long-term specific commitments and compliance deadlines, Bion believes that its long-term opportunity related to the Chesapeake Bay clean-up has potentially been significantly expanded and accelerated.

During 2008 Bion executed an agreement to install a Bion System at the Kreider Farms (KF) in Lancaster County, Pennsylvania to reduce nitrogen (including ammonia emissions which are re-deposited as nitrogen from the

atmosphere) and phosphorus in the farm's effluent. Bion undertook this project due in large part to Pennsylvania's nutrient credit trading program, which was established to provide cost-effective reductions of the excess flow of nutrients (nitrogen and phosphorus) into the Chesapeake Bay watershed. Bion worked extensively with the Pennsylvania Department of Environmental Protection ('PADEP') over the past several years to establish nutrient credit calculation/ verification methodologies that are appropriate to Bion's proven technology and recognizes its 'multi-media' (both water and atmospheric) approach to nutrient reductions. Pennsylvania's nutrient credit trading program allows for voluntary credit trading between a 'non-point source' (such as a dairy or other agricultural sources) and a 'point source' polluter, such as a municipal waste water treatment plant or a housing development. For example, pursuant to this program, since Bion can reduce the nutrients from an existing dairy much more cost-effectively than a municipal wastewater treatment plant can reduce nutrients to meet its baseline, a municipal facility can purchase nutrient reduction credits (Credits) from Bion to offset its nutrient discharges, rather than spending significantly more money to make (and operate) the plant upgrades necessary to achieve its own reductions.

During May 2008, the PADEP approved Bion's initial protocols to determine how many tradable nutrient (nitrogen and phosphorus) credits Bion will receive for nutrient reductions achieved through installation of its comprehensive dairy waste management technology in Phase 1 of the Kreider project pursuant to Pennsylvania's efforts under the Chesapeake Bay Program mandates. During April 2010, the PADEP issued an amended certification. The PADEP's approval includes the certification of credits both for ammonia air emission reductions and for significantly reducing the leaching and runoff potential of land applied nutrients. The PADEP has certified the Phase 1 System at Kreider dairy for 107 nitrogen and 13 phosphorus credits (each credit represents an annual pound of reduction) for each of the 1,200 dairy cows (subject to testing and verification based on operational data). Bion's agreements with Kreider Farms provide for the Phase 1 System to expand through-put to treat the waste from the Kreider dairy support herd after the PADEP has verified the operating results. **It is anticipated that this expansion will take place and lead to a proportionate increase in credits generated for sale only if a more robust market for long term nutrient reductions develops.**

The economics (potential revenues, profitability and continued operation) of the Kreider 1 System are based almost entirely on the long term sale of nutrient (nitrogen and/or phosphorus) reduction credits to meet the requirements of the Chesapeake Bay environmental clean-up. See below for further discussion.

Pursuant to the KF agreements, a Bion system to treat KF's dairy and poultry waste streams to reduce nutrient releases to the environment while generating marketable nutrient credits and renewable energy was designed, constructed and has been in full-scale operation since 2011. On January 26, 2009 the Board of the Pennsylvania Infrastructure Investment Authority (Pennvest) approved a $7.75 million loan to Bion PA 1, LLC (PA-1), a wholly-owned subsidiary of the Company, for the initial stage of Bion's Kreider Farms project (Phase 1 Kreider System). After substantial unanticipated delays, on August 12, 2010 the PA-1 received a permit for construction of the Phase 1 Kreider system. Construction activities commenced during November 2010. The closing/settlement of the Pennvest Loan took place on November 3, 2010. PA-1 finished the construction of the Phase 1 Kreider System and entered a period of system operational shakedown during May 2011. The Phase 1 Kreider System reached full, stabilized operation by the end of the 2012 fiscal year. During 2011 the PADEP re-certified the nutrient credits for this project. The PADEP issued final permits for the Kreider System (including the credit verification plan) on August 1, 2012 on

which date the Company deemed that the Kreider System was placed in service . As a result, PA-1 has commenced generating nutrient reduction credits for potential sale while continuing to utilize the Phase 1 system to test improvements and add-ons. **To date liquidity in the Pennsylvania nutrient credit market has been slow to develop significant breadth and depth which limited liquidity/depth has negatively impacted Bion s business plans and has resulted in challenges to monetizing the nutrient reductions created by PA-1 s existing Kreider 1 project and Bion s other proposed projects. These difficulties have prevented PA-1 from generating any material revenues from the Kreider 1 project to date and raise significant questions as to when PA-1 will be able to generate such revenues from the Kreider 1 system. PA-1 has commenced negotiations with Pennvest related to forbearance and/or re-structuring its obligations pursuant to the Pennvest Loan. In the context of such negotiations, PA-1 has elected not to make interest payments to Pennvest on the Pennvest Loan since January 2013. Additionally, the Company has not made any principal payments, which were to begin in fiscal 2013, and, therefore, the Company has classified the Pennvest Loan as a current liability as of June 30, 2014. Due to the slow development of the nutrient reduction credit market, the Company determined that the carrying amount of the property and equipment related to the Kreider 1 project exceeded its estimated future undiscounted cash flows based on certain assumptions regarding timing, level and probability of revenues from sales of nutrient reduction credits and, therefore, recorded a $2,000,000 impairment of the Kreider 1 assets which reduced the value of the Kreider 1 System to $4,349,482 as of June 30, 2014. Additional impairments may result if the nutrient credit market does not develop in the near term.**

On September 25, 2014, Pennvest exercised its right to declare the Pennvest Loan in default and has accelerated the Pennvest Loan and has demanded that PA-1 pay $8,137,117 (principal, interest plus late charges) on or before October 24, 2014. The Company anticipates that discussions and negotiations will take place between PA-1 and Pennvest concerning this matter over the next 30 days. It is not possible at this date to predict the outcome of such negotiations, but the Company believes that an interim, short-term agreement will be reached that will allow PA-1 and Pennvest a further period of time for further negotiations and evaluation of possible long-term resolutions. Subject to the results of the negotiations with Pennvest and pending development of a more robust market for nutrient reductions in Pennsylvania, PA-1 and Bion anticipate that it will be necessary for the Company to evaluate various options with regard to Kreider 1 over the next 30-180 days.

During August 2012, the Company provided Pennvest (and the PADEP) with data demonstrating that the Kreider 1 system met the technology guaranty standards which were incorporated in the Pennvest financing documents and, as a result, the Pennvest Loan is now solely an obligation of PA-1.

As a result of the extended period of Kreider 1 operations to date, Bion is confident that future Bion systems can be constructed with even higher operational efficiencies at lower capital expense and with lower operational costs. Operating results of the Phase 1 Kreider system have documented the efficacy of Bion s nutrient reduction technology and vetted potential add-ons for future installations.

Additionally, the Kreider agreements provide for Bion to develop a renewable energy production facility to treat the waste from Kreider's approximately 4.6+ million chickens ('Kreider Renewable Energy Facility' or Phase 2 Kreider Project). It is anticipated that the 'Kreider Renewable Energy Facility' will generate renewable energy (and potentially related renewable energy credits) through the combustion/gasification of the poultry wastes and the cellulosic biomass captured by Bion in the Phase 1 System. The Company continues its development work related to the details of the Phase 2 Kreider project. During May 2011 the PADEP certified Phase 2 Kreider Project for 559,457 nutrient credits under the old EPA s Chesapeake Bay model. The Company anticipates that the Phase 2 Kreider Project will be certified for between 1.5-2 million nutrient reduction credits (for treatment of the waste stream from Kreider s poultry) pursuant to the Company s pending reapplication (or subsequent amended application) during the 2015 fiscal year pursuant to the amended EPA Chesapeake Bay model and agreements being negotiated between the EPA and Pennsylvania. Note that this project may be expanded in the future to treat wastes from other local and regional CAFOs (poultry and/or dairy) and/or Kreider poultry expansion (some of which may not qualify for nutrient reduction credits). **The review process to clarify certain issues related to credit calculation and verification is under way but has been largely placed on hold while certain matters are resolved between the EPA and Pennsylvania. The Company anticipates it will submit an amended application once these matters are clear. Design and engineering work for this facility are still in early stages, joint venture agreements have not yet been completed, and the Company does not yet have financing in place for the Kreider Renewable Energy Facility. This opportunity is being pursued through PA-2. If there are positive developments related to the market for nutrient reductions in Pennsylvania (of which there is no assurance), the Company intends to pursue development, design and construction of the Phase 2 Kreider Project with a goal of achieving operational status during the 2015 calendar year, and hopes to enter into agreements related to sales of the credits for future delivery (under long term contracts) during 2015 subject to verification by the PADEP based on operating data from the Kreider Renewable Energy Facility. The economics (potential revenues and profitability) of the Phase 2 Kreider Project are based primarily on the long term sale of nutrient (nitrogen and/or phosphorus) reduction credits to meet the requirements of the Chesapeake Bay environmental clean-up. However, liquidity in the Pennsylvania nutrient credit market has been slow to develop significant breadth and depth, which lack of liquidity has negatively impacted Bion s business plans and has resulted in challenges to monetizing the nutrient reduction credits created by PA-1 s existing Kreider 1 project and will most likely delay the Company s Phase 2 Kreider Project and other proposed projects in Pennsylvania.**

Note that while Bion believes that the Kreider Phase 1 System, the Kreider Renewable Energy Facility and/or subsequent Bion projects will eventually generate revenue from the sale of: a) nutrient reductions (credits or in other form), b) renewable energy (and related credits) and c) potentially, in time, credits for the reduction of greenhouse gas emissions, and that the potential market is very large, it is not possible to predict the exact timing and/or magnitude of these potential markets at this time.

A 2008 independent study commissioned by the Pennsylvania State Senate estimated that capital costs of $1.4 billion plus $60 million annual operating costs (which yields an amortized average cost of approximately $28 per lb of nitrogen reduction per year) will be required to upgrade the municipal wastewater treatment plants in Pennsylvania to meet the initial standards then in place to meet the US EPA s programmatic mandates set by the Chesapeake Bay Program (which mandates appear to have been accelerated). We believe this study materially underestimates the potential costs for the nutrient reductions now mandated. **Bion anticipates that it will be able to profitably sell nutrient credits from its Kreider facilities (and subsequent projects) if prices are in the range of $8-$10 (or higher) per lb of nitrogen reduction (roughly the equivalent of the projected municipal wastewater upgrade annual operating costs alone), of which there is no assurance,** thereby creating potential savings to Pennsylvania ratepayers of a significant portion of the $1.4 billion capital cost required for wastewater treatment plant nitrogen

reduction upgrades, if Bion's technology were adopted to produce the required nitrogen reductions under the Pennsylvania portion of the Chesapeake Bay Program from livestock waste in Pennsylvania.

On January 22, 2013, the Pennsylvania Legislative Budget and Finance Committee published a study (Report) detailing the economic and environmental benefits that would result from the implementation of a competitively bid, request for proposal (RFP) program for nitrogen reductions to fulfill Pennsylvania s obligations under the US EPA-mandated Chesapeake Bay Total Maximum Daily Load (CB TMDL). We agree with and support the basic conclusions and recommendations of the Report. Links to both the full Report and a summary are available on the homepage of Bion s website at www.biontech.com.The Report demonstrates that implementation of such a RFP program would result in dramatically lower cost compliance with Pennsylvania s requirements under the CB TMDL and would also provide a host of additional environmental and economic benefits to Pennsylvania s interior freshwater resources and communities.

The Report (which references Bion in numerous places) concluded that:

(1)

Adoption of the competitively-bid RFP program would reduce Pennsylvania s Chesapeake Bay nutrient reduction compliance costs by up to 80% through the purchase of verified nitrogen reductions from all public and private sector sources, including technology providers such as Bion. The report estimates that adoption of a competitive RFP program for nitrogen reductions would result in reducing Pennsylvania s compliance expenditures from a projected cost of $628M to $110M in 2015 and from $1.7B to $250M in 2025. The Report further concludes that absent the implementation of cost-cutting measures, Pennsylvania s compliance with the storm water and agricultural reduction mandates in the CB TMDL standard is at risk of default as there is insufficient funding available to comply under today s existing cost structure. The CB TMDL was established by the US EPA to protect and restore the Bay after decades of decline in water quality and aquatic life due to excess nitrogen from the surrounding watershed.

(2)

The use of verified nitrogen reductions from agricultural (and primarily livestock) sources to achieve CB TMDL compliance will generate substantial economic and environmental benefits, well beyond the cost savings of the CB TMDL compliance itself. These ancillary benefits are in the form of increased agricultural investments and significant improvements to the State s local fresh water resources.

(3)

Adoption would significantly reduce nitrogen and phosphorous impacts to local freshwater resources such as streams, lakes and groundwater, thereby reducing long term freshwater quality compliance costs. These local reductions would be a by-product of achieving Chesapeake Bay reductions since it requires (on average) the upstream reduction of two to five pounds of nitrogen and as much as twenty pounds of phosphorous to achieve a one pound reduction of these nutrients to the Chesapeake Bay. The long term economic value and environmental benefits to interior freshwater sources could well be greater than the downstream estuary cost savings and benefits.

The Report s conclusions support adoption of a competitive bidding platform for nitrogen reductions as a cost-effective solution to the high costs facing state and local tax and rate payers. The Report also demonstrates that this strategy would provide tangible environmental, economic, quality of life and health benefits to those upstream rural

communities which have shouldered much of the economic cost of downstream nutrient reductions, with little or no benefit to their local communities.

During February 2013 the Company intensified its previously disclosed political and lobbying efforts in Pennsylvania to support establishment of programs for purchase of nitrogen reductions consistent with the Pennsylvania Legislative Budget and Finance Committee s Report outlined above. Our efforts have included meetings with numerous governmental (from local and county level up through state level legislative and executive officials) and non-governmental organizations and stakeholders. The Company anticipates that such efforts will continue throughout the current fiscal year with the goal of securing passage of appropriate legislation and administrative rulings related to such a nitrogen reduction purchase program. A portion of the Company s efforts on this matter are taking place as part of an ad hoc coalition named Coalition for an Affordable Bay Solution (CABS) with othe stakeholders (including livestock industry producer groups and other technology providers) who agree with the Company s positions and goals. CABS was established in April 2013 by co-founders including Bion, Kreider Farms, Fair Oaks Farms (a large US dairy producer) and JBS, SA (the largest supplier of beef and pork in the western world). The head of the CABS is Ed Schafer, our Executive Vice Chairman. Other supporters include a diverse group of Pennsylvania stakeholders that represent a wide range of interests.

The Company, directly and through CABS, has been actively working in support of adoption of the Major Watershed Improvement Act, Pennsylvania Senate Bill 994, introduced on June 4, 2013 by Senator Elder A. Vogel, Jr., Chairman of the Pennsylvania Senate Agriculture & Rural Affairs Committee. This legislation, if adopted, will enable all verified credit generators (public and private; regulated and unregulated) to develop projects and sell verified nutrient credits on a long term basis under a competitively-bid procurement program. This statewide program will enable Pennsylvania to use these verified nutrient reductions to initially meet their federal Chesapeake Bay mandate. This legislation, if enacted, will enable the agricultural sector, primarily livestock agriculture, to provide low cost solutions to Pennsylvania s federally-mandated requirement to reduce nutrients to the Chesapeake Bay. The legislation would establish a competitive bidding program pursuant to which the State of Pennsylvania could acquire verified nitrogen reductions in long-term contracts through a RFP. Additional environmental and economic benefits, such as those provided by the Company s systems, would be scored and considered in the award process, and all solutions public and private to compete for public clean water funds based solely on impacts and cost. Successful adoption of this legislation will give Bion and others the opportunity to compete for public funding specifically allocated to address excess nutrients. If such a program is implemented, Bion expects that the policies and strategies being developed in Pennsylvania will not only benefit the Company s existing and proposed Pennsylvania projects but will also form the basis for an overall Chesapeake Bay watershed and national clean water strategy.

This legislation was passed by the PA Senate Agriculture Committee in the summer of 2013. Based on recent information, we believe the legislation (as amended) will be taken up by the full legislature after it reconvenes either for its Fall 2014 session or its Winter 2015 session. **However, there is no assurance that this legislation (or similar legislation) will be enacted, and there is no assurance that if enacted it will not have been amended in ways that limit the potential benefits to the Company.**

The Company believes that Pennsylvania is ground zero in the long-standing clean water battle between agriculture and the further regulation of agriculture relative to nutrient impacts. The ability of Bion and other technology providers to achieve verified reductions from agricultural non-point sources can resolve the current stalemate and enable implementation of constructive solutions that benefit all stakeholders, providing a mechanism that ensures that taxpayer funds will be used to achieve the most beneficial result at the lowest cost, regardless of source. All sources, point and non-point, rural and urban, will be able to compete for tax payer-funded nitrogen reductions in a fair and transparent process; and since payment from the tax and rate payers will now be performance-based, these providers will be held financially accountable.

We believe that the overwhelming environmental, economic, quality of life and public health benefits to all stakeholders in the watershed, both within and outside of Pennsylvania, make the case for adoption of the strategies outlined in the Report less an issue of if , but of when and how . The adoption of a competitive procurement program will have significant positive impact on technology providers that can deliver verified nitrogen reductions such as Bion, by allocating existing tax- and rate-payer clean water funding to low cost solutions based upon a voluntary and transparent procurement process. The Company believes that implementation of a competitively-bid nutrient reduction program to achieve the goals for the Chesapeake Bay watershed can also provide a working policy model and platform for other states to adopt that will enhance their efforts to comply with both current and future requirements for local and federal estuarine watersheds, including the Mississippi River/Gulf of Mexico, the Great Lakes Basin and other nutrient-impaired watersheds.

Bion estimates that the overall market opportunity for Bion in the Chesapeake Bay watershed is large and of long duration. Most (if not all) of the publicly proposed new (or upgraded) municipal waste water and storm water treatment facilities in the Chesapeake Bay watershed in Pennsylvania, Maryland, Virginia and Washington, DC have projected costs (capital and operating) far in excess of the costs involved in reducing nutrients using Bion s Systems to treat CAFO wastes at the source. While regulatory and enforcement policy is still evolving and, therefore, the impact of those future policies upon Bion's operations cannot be precisely predicted and/or fully quantified, Bion believes that the tremendous difference between its cost to remove nutrients from a concentrated livestock manure waste stream and the cost required for reduction of nutrients from diluted conventional waste water and storm water treatment technologies makes it reasonable to believe that Bion's potential profitability from projects in the Chesapeake Bay watershed should be significant. Based on the aggregate size of livestock operations in the Chesapeake Bay watershed, Bion believes that the potential market for reductions in nitrogen loadings to the Chesapeake Bay watershed from livestock can be reasonably anticipated to increase tenfold (or more) to total in excess of 65 million (or more) pounds annually (including airborne ammonia) over the next decade with certified verified nutrient reductions potentially generated equaling 50% to 60% of that aggregate required nitrogen reduction. Bion hopes that some significant portion of the nutrient reductions related to this clean-up mandate will be made by Bion Systems (which portion cannot be reasonably estimated at this time).

We believe that the credits from the Kreider Farms Project (verified by the PADEP) represent the first nutrient credits from multi-media (air and water) reductions from an unregulated, non-point source (livestock) technology-based project to be verified (including ammonia reductions). These credits will be equivalent to municipal wastewater

treatment plant reductions once regulatory issues are resolved. Further, we believe this will provide, over time, a basis for credit trading throughout the Chesapeake Bay watershed basin-wide (beyond just Pennsylvania where the credits are being generated to the other states and Washington, DC). An established basin-wide trading program will potentially broaden the market for credits from smaller local watersheds to the entire Chesapeake Bay Watershed.

Bion has undertaken, and will continue to pursue work to establish appropriate public policies to facilitate environmental clean-up of CAFOs in the Chesapeake Bay states and at the federal level and in other locales.

Bion also believes that it is reasonable to assume that a version of the Chesapeake Bay Program strategies developed by the US EPA and various state regulatory agencies to address the issue of excess nitrogen loadings to the Chesapeake Bay watershed clean-up, will be subsequently applied to deal with the much larger nutrient pollution problems of the Mississippi River Basin that are a primary cause of the 'Dead Zone' in the Gulf of Mexico and similar problems in the Great Lakes and elsewhere. The US EPA has stated the intention that the strategies being developed for the Chesapeake Bay will be utilized in the Mississippi River Basin and other watersheds in the U.S. **Note, however, that such an EPA initiative is certain to generate significant political opposition.** The Mississippi River Basin alone has been estimated to require more than 1 billion pounds of annual nitrogen reduction to remediate the dead zone in the Gulf of Mexico. Applying the same metrics as above (Bion s ability to profitably provide nitrogen reductions at a cost of $8-10 per pound per year compared to municipal wastewater and storm water removal costs of $25 or higher per pound per year), using Bion-type solutions would represent a potential benefit in excess of $25 billion annually to tax- and rate-payers of the 31 Mississippi River Basin states and the federal government. We believe that Bion will potentially have large business opportunities for utilization of its technology as efforts to clean up such polluted areas develop, but at present such opportunities are not quantifiable nor can a definitive timeline be predicted.

Integrated Projects

Bion is focused on implementation of its integrated technology platform as the basis for development of its large-scale Integrated Projects. Bion will pursue this opportunity through our Projects Group subsidiary (and project specific subsidiaries/entities) which will most likely act as the developer and manager of, and a direct participant in and/or owner of components of, the Projects. As such, Bion will:

locate, secure and develop appropriate sites;

negotiate agreements with participants including both input providers and end-product users;

secure required permits and other approvals based upon clear standards that establish acceptable environmental operating parameters for each component of the Integrated Projects;

manage construction and operation of its Systems and, possibly, other facilities within the Projects; and

provide its waste treatment services to CAFO operators in the Projects for a fee while producing renewable energy for on-site use (including sale to the integrated biofuel and/or end product facilities) and/or third party sale, and, possibly, fine solids products for sale.

In turn, the CAFO operator will use the wet distiller grains from the ethanol plant as a feed component for the herd at a long-term competitive price. The CAFO facilities, which will be subject to permits imposing standards limiting their emissions and releases, can be owned either by the CAFO operator or by an independent third party finance source and subsequently leased to the CAFO operator. The CAFO operator will be responsible to provide its herd and operate the CAFO.

In some instances, Bion will own direct interests in the CAFO herd, ethanol plant, end-product user and/or the related facilities in addition to its ownership interest in the Bion System(s).

Bion has begun pre-development work on an Integrated Project planned to include a large-scale beef cattle finishing operation (in modules), a beef processing facility and an ethanol production facility to be located in Pennsylvania. The Company has begun discussions with various state and regional agencies in Pennsylvania regarding this potential Project. Limited progress has been made in the pre-development process to date because the Company has primarily focused its efforts on its two projects at Kreider Farms in Pennsylvania. However, the Company currently believes there is a significant likelihood that the Company will option land for an initial Integrated Project during 2015 and move into the development process. In addition to the potential Pennsylvania beef cattle project, Bion has engaged in activities related to development of a similar Project to be located in upstate New York and has been in discussions with various local and state agencies in Nebraska (which recently lost a cheese plant) regarding potential development of a large scale integrated dairy/cheese Integrated Project (which would be integrated with one or more existing ethanol plant(s)). Locations in other states are also under consideration for the Company s Integrated Projects. **It is not possible at this time to reasonably predict where the initial Project will be developed or the order in which Projects will be developed. All of these potential Projects are in very early pre-development stages and may never progress to actual development or may be developed after other Projects not yet under active consideration.**

Bion's current preliminary plans call for an initial beef-based, partially integrated Project to include not less than approximately 60,000 beef cattle (developed in staged modules) integrated with a dedicated (existing or new) slaughter and cooking (further processing) facility and an ethanol plant (existing or newly constructed). Bion anticipates that renewable energy produced from the cellulosic biomass that Bion's technology recovers from the livestock waste stream will replace most (if not all) of the fossil fuel needs of the ethanol production and other integrated facilities. Bion estimates that the basic capital expense for such a Project (if all integrated facilities are newly built) will be not less than $200 million and that the Project, if developed (in a greenfield manner), will result in the creation of 350 to 400 (or more) permanent long term jobs in the immediate region. It is likely that the Company s initial Integrated Project will be developed in stages.

Note that our initial Project has not yet emerged from the pre-development phase, no land or permits for the Project have been acquired, Bion has no commitments from anyone related to financing or participation in this Project, and no such Project has yet been developed by Bion (or others). Notwithstanding the foregoing items, Bion anticipates that it may option land and commence the actual development phase of its initial Project during 2015.

Bion has had preliminary discussions with several nationally and internationally-known food producers, processors, and distributors, regarding use of its technology to develop Projects which integrate new livestock herds with both existing and new processing facilities in order to improve their economic efficiencies, reduce environmental impacts and carbon footprint, produce branding opportunities and address food-safety concerns.

At present it is not possible to determine whether any of the Projects referred to above will move to the development phase, will actually be developed and constructed, or precisely what, if any, the economic returns and/or profitability for such Integrated Projects (and/or for Bion in connection therewith) will be, due to the early pre-development stage of each Project and numerous known and unknown variables related to future financing and partnering terms, as well as the availability of existing and proposed economic development incentive plans for which such Projects may qualify. However, Bion strongly believes that the economic efficiencies of these closed loop Integrated Projects will potentially increase the annual returns by 5 percentage points (or more) over the existing dairy/livestock/food industry metrics. In basic commodity businesses such as food products and ethanol production, such an increase, if realized, represents a very significant economic advantage which Bion believes will result in advantageous financing terms and in clearly superior profitability for its Integrated Projects.

RECENT FINANCINGS

Sales of Common Stock during 2013 and 2014 Fiscal Years

During the year ended June 30, 2013, the Company sold 724,056 shares of its unregistered common stock (not including issuance of 124,157 shares to consultants and employees pursuant to its 2006 Consolidated Incentive Plan). During the year ended June 30, 2013, the Company sold its unregistered securities in units as follows: a) 177,556 units at $2.25 per unit, and received proceeds of $399,499 (each unit consisted of one share of the Company s restricted common stock and one warrant to purchase half of a share of the Company s restricted common stock at $3.10 per share until December 31, 2014); and b) 330,500 units at $2.00 per unit and received proceeds of $661,000 (each unit consisted of one share of the Company s restricted common stock and one warrant to purchase half a share of the Company s restricted common stock at $2.50 per share until December 31, 2014). The Company also sold 216,000 shares of restricted common stock at $1.25 per share for total proceeds of $295,000. In all of these transactions the Company relied on the exemptions in Section 4(2) of the Securities Act of 1933, as amended, and/or under Rule 506 of Regulation D under the Securities Act of 1933, as amended.

During the year ended June 30, 2014, the Company sold 1,279,201 shares of its unregistered common stock (not including issuance of 373,435 shares to consultants and employees pursuant to its 2006 Consolidated Incentive Plan and 250,000 shares issued upon conversion of debt). During the year ended June 30, 2014, the Company sold its unregistered securities as follows: a) 400,000 restricted common stock at $1.25 per share, and received proceeds of $500,000; and b) 592,534 restricted common stock at $0.75 per unit and received gross proceeds of $474,400, net proceeds of $467,575 (including subscriptions receivable of $30,000 for 40,000 shares) at June 30, 2014. The Company also issued 266,667 shares of restricted common stock resulting from the terms in the subscription agreements related to the sale of the 400,000 shares that required additional shares be issued if the Company sold stock at a price lower than $1.25 per share. In all of these transactions the Company relied on the exemptions in Section 4(2) of the Securities Act of 1933, as amended, and/or under Rule 506 of Regulation D under the Securities Act of 1933, as amended.

COMPETITION

There are a significant number of competitors in the waste treatment industry who are working on animal related pollution issues. This competition is increasing with the growing governmental and public concern focused on pollution due to CAFO wastes. Waste treatment lagoons which depend on anaerobic microorganisms ("anaerobic lagoons") are the most common traditional treatment process for animal waste on large farms within the swine and dairy industries. Additionally, many beef feedlots, poultry facilities and dairy farms simply scrape and accumulate manure for later field application. Both lagoon and scrape/pile manure storage approaches are coming under increasing regulatory pressure due to associated odor, nutrient management and water quality issues and are facing possible phase-out in some states. Although we believe that Bion has the most economically and technologically viable solution for the current problems, other alternative (though partial) solutions do exist including, for example, synthetic lagoon covers (which are placed on the top of the water in the lagoon to trap the gases), methane digesters (a tank which uses anaerobic microorganisms to break down the waste to produce methane), multistage anaerobic lagoons and solids separators (processes which separate large solids from fine solids). Additionally, many efforts are underway to develop and test new technologies.

Our ability to compete is dependent upon our ability to obtain required approvals and permits from regulatory authorities and upon our ability to introduce and market our Systems in the appropriate industry and geographic segments.

There is also extensive competition in the livestock, ethanol production, biomass renewable energy, organic soil amendment/fertilizer/ organic fertilizer and feed ingredient markets. There are many companies that are already selling products to satisfy demand in the sectors of these markets we are trying to enter. Many of these companies have established marketing and sales organizations and customer commitments, are supporting their products with advertising, sometimes on a national basis, and have developed brand name recognition and customer loyalty in many cases.

Additionally, a number of companies have discussed and/or attempted to implement some version of closed loop integrated projects in the past, including without limitation, Panda Ethanol, E3 BioFuels and Prime BioSolutions, and are, or have in the past, pursued, with limited success to date, the development of various forms of such projects which combine CAFOs and ethanol plants and utilize the CAFO waste stream to produce energy for the ethanol plant and the CAFO herd to consume the distillers grain by-product of the ethanol production. While a very limited number of entities (including those named above) have announced projects and/or solutions that sound similar to the Company's Integrated Projects with limited success to date, there appear to be significant differences including without limitation, the use of technology that is based on either manure 'gasification' or capturing methane from the waste stream using anaerobic digesters (ADs), which technologies do not reduce polluting nutrient releases and/or gaseous emissions in the manner or to the extent that Bion's technology reduces such negative environmental impacts. Further, although ADs do produce methane that can be used to replace some or all of the natural gas requirement of an ethanol plant, the AD process produces only about one third of the energy per animal that Bion believes will be produced by its technology platform (which may in some iterations integrate small AD modules) from the biomass extracted from the CAFO waste stream based on Bion's internal analysis. None of the technologies of which the Company is aware appear to represent solutions to the nutrient and atmospheric environmental problems of CAFOs addressed by Bion's technology, or have any independent data supporting claimed environmental benefits, and, therefore, the Company believes that their potential projects will be limited to locations in which CAFOs have already been permitted and limited to the existing CAFO size.

DEPENDENCE ON ONE OR A FEW MAJOR CUSTOMERS

In our Integrated Projects business segment, we will most likely be dependent upon one or a few major customers/partners/joint venturers since a limited number of Integrated Projects will be developed. We anticipate initially developing, owning interests in, and operating only one or a few fully Integrated Projects commencing during 2015, and, thereafter, developing a limited number of Projects at a time. Thus, at least for the near future, our revenues will be dependent on a relatively small number of major Projects, participants and/or customers.

In our CAFO retrofit/remediation business segment, we currently have only one operating System and contracts with only a single party. However, there are thousands of CAFO s in the United States and we anticipate that in the future we will have agreements with many CAFO customers.

PATENTS

We are the sole owner of seven currently active United States patents, one Australian patent, two Canadian patents, one patent from New Zealand and two patents from Mexico (plus the pending application(s) set forth below):

Patent Numbers and date of issue:

United States Currently Issued:

(1)

6,689,274 2/10/04: Low Oxygen Organic Waste Bioconversion System: (NdeN) Jere Northrop & James W. Morris (Exp 6/28/2021)

(2)

6,908,495 6/21/05: Low Oxygen Organic Waste Bioconversion System: (NdeN+divisional) Jere Northrop & James W. Morris (Exp 5/2/2021)

(3)

7,431,839 10/7/08: Low Oxygen Biologically Mediated Nutrient Removal: (NdeN+PwA) James W. Morris & Jere Northrop (Exp 12/26/2021)

(4)

7,575, 685 8/18/09: Low Oxygen Biologically Mediated Nutrient Removal: (NdeN+PwoA) James W. Morris & Jere Northrop (Exp 2/8/2021)

(5)

7,879,589 2/1/11: Micro-Electron Acceptor Phosphorous Accumulating Organisms: (NdeN+PwoA Microbial) James W. Morris & Jere Northrop (Exp 11/10/20)

(6)

8,039,242 10/18/11: Low Oxygen Biologically Mediated Nutrient Removal: (NdeN+PwoA Microbial) James W. Morris & Jere Northrop (Exp 11/10/20)

(7)

8,287,734 10/16/12: Method for Treating Nitrogen in Waste Streams: (OCN) Jere Northrop & James W. Morris (Exp 3/20/31)

Australia Issued:

(1)

2002-227,224 12/14/06: Low Oxygen Organic Waste Bioconversion System: (NdeN) Jere Northrop & James W. Morris (Exp 11/8/2021)

Canada Currently Issued:

(1)

2,428,417 1/15/13: Low Oxygen Organic Waste Bioconversion System: (NdeN) Jere Northrop & James W. Morris (Exp 11/8/21).

(2)

2,503,166 10/16/12: Low Oxygen Biologically Mediated Nutrient Removal: (NdeN+PwA) Jere Northrop & James W. Morris (Exp 11/8/21).

Mexico Issued:

(1)

240,124 9/8/06: Low Oxygen Organic Waste Bioconversion System; 9/8/06 (notified 3/26/07) (NdeN) Jere Northrop & James W. Morris (Exp 11/8/2021)

(2)

263,375 12/19/08: Low Oxygen Organic Waste Bioconversion System: (NdeN) Jere Northrop & James W. Morris (Exp 11/8/2021)

New Zealand Currently Issued:

(1)

526,342 7/7/05: Low Oxygen Organic Waste Bioconversion System: (NdeN) Jere Northrop & James W. Morris (Exp 11/8/2021)

United States Currently Pending:

(P-1)

11/592,511 (11/3/06 application date): Environmentally Compatible Integrated Food and Energy Production System: (Etanol) Dominic T. Bassani, James W. Morris, Jere Northrop, George W. Bloom, Jeffrey H. Kapell and Stephen J. Pagano.

(P-2)

14/483,424 (09/11/14 application date): Wastewater Treatment Using Controlled Solids Input to an Anaerobic Digester: (UltraFilter) Dominic T. Bassani, Morton Orentlicher.

European Union Currently Pending:

(P-E-1)

1993586.5 (first office action 6/8/10; 11/8/01 application date): Low Oxygen Organic Waste Bioconversion System: (NdeN) Jere Northrop & James W. Morris.

In addition to such factors as innovation, technological expertise and experienced personnel, we believe that a strong patent position is increasingly important to compete effectively in the businesses on which we are focused. It is likely that we will file applications for additional patents in the future. There is, however, no assurance that any such patents will be granted.

It may become necessary or desirable in the future for us to obtain patent and technology licenses from other companies relating to technologies that may be employed in future products or processes. To date, we have not received notices of claimed infringement of patents based on our existing processes or products, but due to the nature of the industry, we may receive such claims in the future.

We generally require all of our employees and consultants, including our management, to sign a non-disclosure and invention assignment agreements upon employment with us.

RESEARCH AND DEVELOPMENT

During the years ended June 30, 2014 and June 30, 2013, respectively, we expended approximately $135,000 and $192,000 (including non-cash stock-based compensation) on research and development activities related to our technology platform applications in support of large-scale, economically and environmentally sustainable Integrated Projects and remediation activities. During the 2014 fiscal year, Bion s research and development has been focused on modifying and adding unit processes to its technology platform. The objective has been to reduce capital costs and operating costs, while generating commercial equivalent by-products and significantly increasing environmental efficiency. As a result of these efforts (including their continuation during the current period), Bion anticipates a new patent filing(s) and completion of its pilot system by end of calendar year 2014. To date, research and development results have supported our objectives. In prior periods (and continuing to date), Bion's main efforts were directed at further refinement of our technology and its applications. In addition, substantial research and development activity was focused on design and refinement of all aspects of the technology and integration engineering related to the energy balances, renewable energy production and on-site utilization, related to Integrated Project issues and our business model. Research activities have focused on factors related to renewable energy production from CAFO waste including coarse solid recovery, drying and use for renewable energy production, as well as fine solids recovery, drying and utilization as fertilizer and/or animal feed, water re-use and other matters. The sums expended on research and development were focused on substantially the same areas as in the prior year but were reduced compared to the years prior to 2009 due to the fact that during the subsequent years a greater portion of the Company's activities were focused on commercialization and business development based on our technology.

Environmental Protection/Regulation and Public Policy

In regards to development of Projects, we will be subject to extensive environmental (and other) regulations related to CAFO's, ethanol production and end product producers. To the extent that we are a provider of systems and services to others that result in the reduction of pollution, we are not under direct enforcement or regulatory pressure. However, we are involved in the business of CAFO waste treatment and are impacted by environmental regulations in at least five different ways:

Our marketing and sales success depends, to a substantial degree, on the pollution clean-up requirements of various governmental agencies, from the Environmental Protection Agency (EPA) at the federal level to state and local agencies;

Our System design and performance criteria must be responsive to the changes in federal, state and local environmental agencies' effluent and emission standards and other requirements;

Our System installations and operations require governmental permits and/or other approvals in many jurisdictions;

To the extent we own or operate Integrated Projects including CAFO facilities and ethanol plants, those facilities will be subject to environmental regulations; and

Appropriate public policies need to be developed and implemented to facilitate environmental clean-up at CAFOs and the sale of nutrient reductions from such activities in order for the Company to monetize the nutrient reductions generated by its facilities.

Additionally, our activities are affected by many public policies and regulations (federal, state and local) related to other industries such as CAFO agriculture, municipal waste and storm water treatment, and others. For example, the differences in the regulatory requirements for agriculture and municipal waste water clean-up currently in place negatively impair the development of viable markets for nutrient reduction credits.

EMPLOYEES

As of September 15, 2014, we had 6 employees and primary consultants, all of whom are performing services for the Company on a full-time basis. The Company utilizes other consultants and professionals on an as needed basis. Our future success depends in significant part on the continued service of our key personnel and the ability to hire additional qualified personnel. The competition for highly qualified personnel is intense, and there can be no assurance that we will be able to retain our key managerial and technical employees or that we will be able to attract

and retain additional highly qualified technical and managerial personnel in the future. None of our employees is represented by a labor union, and we consider our relations with our employees to be good. None of our employees is covered by "key person" life insurance.

ITEM 1A. RISK FACTORS.

Not applicable.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

The Company maintains its corporate office at Box 566/1774 Summitview Way, Crestone, Colorado 81131, the office of its President, and its main corporate telephone number is: (212) 758-6622.

We are the sole owner of seven currently active United States patents (numbered below), one Australian patent, two Canadian patents, one patent from New Zealand and two patents from Mexico.

Two U.S. patent applications have been filed and are pending and one application is pending in the European Union.

ITEM 3. LEGAL PROCEEDINGS.

The Company is currently involved in one litigation matter:

On May 1, 2014 Mr. James Morris, the Company s former Chief Technology Officer, initiated litigation against the Company (Morris v Bion Environmental Technologies, Inc., 14-cv-02732-ADS-GRB, United States District Court, Eastern District of New York) related to his termination effective November 30, 2013. Mr. Morris seeks payment of severance pay (up to $90,000) plus certain previously accrued obligations totaling $87,216 plus interest (which sums

have been accrued in the Company s financial statements despite the fact that the Company is disputing the obligations) plus attorney s fees and re-instatement of 300,000 options to purchase the Company s common stock at $2.00-$3.00 per share until December 31, 2015. The Company disputes each such claim by Mr. Morris in the litigation and is defending the lawsuit which is in the early discovery stage. The Company is incurring attorney s fees (and related costs) in the context of its defense. The Company does not believe that this litigation will have a material adverse effect on the Company.

On September 25, 2014, Pennvest exercised its right to declare the Pennvest Loan in default and has accelerated the Pennvest Loan and has demanded that our wholly-owned subsidiary PA-1 pay $8,137,117 (principal, interest plus late charges) on or before October 24, 2014. The Company anticipates that discussions and negotiations will take place between PA-1 and Pennvest concerning this matter over the next 30 days. It is not possible at this date to predict the outcome of such negotiations, but the Company believes that an interim, short-term agreement will be reached that will allow PA-1 and Pennvest a further period of time for further negotiations and evaluation of possible long-term resolutions. Subject to the results of the negotiations with Pennvest and pending development of a more robust market for nutrient reductions in Pennsylvania, PA-1 and Bion anticipate that it will be necessary for the Company to evaluate various options with regard to Kreider 1 over the next 30-180 days. Litigation has not commenced in this matter but has been threatened by Pennvest.

The Company currently is not involved in any other material litigation.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

(a) Market Information

Our common stock is quoted on the Over-The-Counter Electronic Bulletin Board under the symbol "BNET." The following quotations reflect inter dealer prices, without retail mark up, markdown or commissions and may not represent actual transactions.

	2013		2014	
Fiscal Year Ended June 30,	High	Low	High	Low

First Fiscal Quarter	
	$2.39
	$1.91
	$1.85
	$1.28
Second Fiscal Quarter	
	$2.48
	$1.63
	$1.70

			$0.67
Third Fiscal Quarter			
	$1.99		
	$1.60		
	$1.00		
			$0.60
Fourth Fiscal Quarter			
	$1.94		
	$1.36		
	$1.49		
			$0.62

(b) Holders

The number of holders of record of our common stock at September 1, 2014 was approximately 1,594. Many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, so we are unable to

estimate the number of stockholders represented by these record holders.

The transfer agent for our common stock is Corporate Stock Transfer, Inc., 3200 Cherry Creek Drive South, Suite 430, Denver, Colorado 80209.

(c) Dividends

We have never paid any cash dividends on our common stock. Our board of directors does not intend to declare any cash dividends in the foreseeable future, but instead intends to retain earnings, if any, for use in our business operations. The payment of dividends, if any, in the future is within the discretion of the board of directors and will depend on our future earnings, if any, our capital requirements and financial condition, and other relevant factors.

During fiscal year 2014 the Company paid an aggregate dividend of $0 and $0, respectively, on shares of Series B Preferred Stock and Series C Preferred Stock which were outstanding during the year. A dividend of $2,000 was accrued on Series B Preferred Stock.

During fiscal year 2013 the Company paid an aggregate dividend of $2,917 and $0, respectively, on shares of Series B Preferred Stock and Series C Preferred Stock which were outstanding during the year.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

In June 2006 the Company adopted its 2006 Consolidated Incentive Plan, as amended ("Plan"), which terminated all prior plans and merged them into the Plan. The Plan was ratified by the Company's shareholders in October 2006. Under the Plan, Directors may grant Options, Stand Alone Stock Appreciation Rights ("SAR's"), shares of Restricted Stock, shares of Phantom Stock and Stock Bonuses with respect to a number of Common Shares that in the aggregate does not exceed 17,000,000 shares. The maximum number of Common Shares for which Incentive Awards, including Incentive Stock Options, may be granted to any one Participant shall not exceed 1,000,000 shares in any one calendar year; and the total of all cash payments to any one participant pursuant to the Plan in any calendar year shall not exceed $500,000. As of September 1, 2014, 4,258,870 Options have been granted and are outstanding under the Plan (as amended), including all options granted under prior merged plans, and options granted from July 1, 2013 through September 1, 2014. Of the 4,258,870 options, 4,258,870 are vested as of September 1, 2014. Additionally, 492,500 shares of Contingent Stock Bonuses (of which 425,000 are vested) and 335,000 shares of Stock Bonuses have been granted under the Plan, all of which are vested as of September 1, 2014.

Equity Compensation Plan Information

The following table summarizes share and exercise price information about the Company s equity compensation plans as of June 30, 2014:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights

			Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	4,258,870	2.81	10,446,130

Equity compensation plans not approved by security holders		-	
		-	
		-	
Total			4,258,870

2.81

10,446,130

(e) Recent Sales of Unregistered Securities

During the year ended June 30, 2013, the Company sold 724,056 shares of its unregistered common stock (not including issuance of 124,157 shares to consultants and employees pursuant to its 2006 Consolidated Incentive Plan). During the year ended June 30, 2013, the Company sold its unregistered securities in units as follows: a) 177,556 units at $2.25 per unit, and received proceeds of $399,499 (each unit consisted of one share of the Company s restricted common stock and one warrant to purchase half of a share of the Company s restricted common stock at $3.10 per share until December 31, 2014); and b) 330,500 units at $2.00 per unit and received proceeds of $661,000 (each unit consisted of one share of the Company s restricted common stock and one warrant to purchase half a share of the Company s restricted common stock at $2.50 per share until December 31, 2014). The Company also sold 216,000 shares of restricted common stock at $1.25 per share for total proceeds of $295,000. In all of these transactions the Company relied on the exemptions in Section 4(2) of the Securities Act of 1933, as amended, and/or under Rule 506 of Regulation D under the Securities Act of 1933, as amended.

During the year ended June 30, 2014, the Company sold 1,279,201 shares of its unregistered common stock (not including issuance of 373,435 shares to consultants and employees pursuant to its 2006 Consolidated Incentive Plan and 250,000 shares issued upon conversion of debt). During the year ended June 30, 2014, the Company sold its unregistered securities as follows: a) 400,000 restricted common stock at $1.25 per share, and received proceeds of $500,000; and b) 592,534 restricted common stock at $0.75 per unit and received gross proceeds of $474,400, net proceeds of $467,575 (including subscriptions receivable of $30,000 for 40,000 shares) at June 30, 2014. The Company also issued 266,667 shares of restricted common stock resulting from the terms in the subscription agreements related to the sale of the 400,000 shares that required additional shares be issued if the Company sold stock at a price lower than $1.25 per share. In all of these transactions the Company relied on the exemptions in Section 4(2) of the Securities Act of 1933, as amended, and/or under Rule 506 of Regulation D under the Securities Act of 1933, as amended.

ITEM 6. SELECTED FINANCIAL DATA.

N/A

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Included in ITEM 8 are the audited Consolidated Financial Statements for the fiscal years ended June 30, 2014 and 2013 ("Financial Statements").

Statements made in this Form 10-K that are not historical or current facts, which represent the Company's expectations or beliefs including, but not limited to, statements concerning the Company's operations, performance, financial condition, business strategies, and other information, involve substantial risks and uncertainties. The Company's actual results of operations, most of which are beyond the Company's control, could differ materially. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," anticipate," "estimate," or "continue" or the negative thereof. We wish to caution readers not to place undue reliance on any such forward looking statements, which speak only as of the date made. Any forward looking statements represent management's best judgment as to what may occur in the future. However, forward looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected.

These factors include adverse economic conditions, entry of new and stronger competitors, inadequate capital, unexpected costs, failure (or delay) to gain product or regulatory approvals in the United States (or particular states) or foreign countries and failure to capitalize upon access to new markets. Additional risks and uncertainties that may affect forward looking statements about Bion's business and prospects include the possibility that markets for nutrient reduction credits (discussed below) and/or other ways to monetize nutrient reductions will be slow to develop (or not develop at all), the possibility that a competitor will develop a more comprehensive or less expensive environmental solution, delays in market awareness of Bion and our Systems, uncertainties and costs related to research and development efforts to update and improve Bion s technologies and applications thereof, and/or delays in Bion's development of Projects and failure of marketing strategies, each of which could have both immediate and long term material adverse effects by placing us behind our competitors and requiring expenditures of our limited resources. Bion disclaims any obligation subsequently to revise any forward looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements filed with this Report.

BUSINESS OVERVIEW

During the 2004-2008 calendar years, the Company focused on completion of the development of the second generation of its technology which provides comprehensive environmental solutions to a significant source of pollution in U.S. agriculture, large scale livestock facilities known as Confined Animal Feeding Operations ("CAFO"). The re-development process was substantially completed several years ago and the initial commercial system, based on our updated technology, has been constructed and placed in full commercial operation. Bion continues to focus on refining, testing and/or developing technologies which can supplement our technologies and or be utilized with our technology platform. Over the last 12 months Bion has increased its research and development activities related to development of variations of and applications of its core technologies and their integration with third party technologies.

Operational results from this initial commercial system have confirmed the ability of Bion s technologies to meet its nutrient reduction goals at commercial scale for an extended period of operation. Bion s current generation technology platform centers on its patented biological-based processes that separate and aggregate the various assets in the CAFO waste stream so they become benign, stable and/or transportable. Bion systems can: a) remove up to 95% of the nutrients (primarily nitrogen and phosphorus) in the effluent, b) reduce greenhouse gases by 90% (or more) including elimination of virtually all ammonia emissions, c) while materially reducing pathogens, antibiotics and hormones in the

livestock waste stream. In addition to capturing valuable nutrients for reuse, Bion s technology platform also recovers cellulosic biomass which can be used to generate renewable energy from the waste stream in a process more efficient than other technologies that seek to exploit this CAFO waste stream. Our core technology and its primary CAFO applications are now proven in commercial operations. It has been accepted by the Environmental Protection Agency (EPA) and other regulatory agencies and it is protected by Bion s portfolio of U.S. and international patents (both issued and applied for). Research and development activities are underway to improve, update and move toward the next generation of Bion systems to meet the needs of CAFOs in various geographic and climate areas with nutrient release constraints.

Currently, Bion is focused on using applications of its patented and proprietary waste management technologies and technology platform to pursue three main business opportunities: 1) installation of Bion systems to retrofit and environmentally remediate existing CAFOs in selected markets where: a) government policy supports such efforts (such as the Chesapeake Bay watershed, Wisconsin and other Great Lakes Basin states, and/or other states and watersheds facing EPA total maximum daily load (TMDL) issues, and/or b) where CAFO s need our technology to obtain permits to expand or develop without negative environmental consequences; 2) development of Integrated Projects which will include large CAFOs, such as large dairies, beef cattle feed lots and hog farms, with Bion waste treatment system modules processing the aggregate CAFO waste stream from the equivalent of 40,000 or more beef and/or dairy cows (or the waste stream equivalent of other species) while recovering cellulosic biomass (to be utilized for renewable energy production) and nutrient rich solids (that can potentially to be marketed as feed and/or fertilizer), integrated with an ethanol plant capable of producing 40 million gallons (or more) of ethanol per year and/or with CAFO end product processors, and 3) licensing and/or joint venturing of Bion s technology and applications outside North America. The opportunities described at 1) and 2) above each require substantial political (federal, state and local) efforts on the part of the Company and a substantial part of Bion s efforts are focused on such political matters.

Bion is currently pursuing the international opportunities primarily through the use of consultants with existing relationships in target countries.

Approximately five years ago the Company commenced actively pursuing the opportunity presented by environmental retrofit and remediation of the waste streams of existing CAFOs. The first commercial activity in this area is represented by our agreements with Kreider Farms ("KF") in Pennsylvania pursuant to which a Bion system to treat KF's dairy and poultry waste streams to reduce nutrient releases to the environment while generating marketable nutrient credits and renewable energy was designed, constructed and has been in full-scale operation since 2011. (**No other Bion system has been contracted for and/or constructed to date.)** On January 26, 2009 the Board of the Pennsylvania Infrastructure Investment Authority (Pennvest) approved a $7.75 million loan to Bion PA 1, LLC (PA-1), a wholly-owned subsidiary of the Company, for the initial stage of Bion's Kreider Farms project (Phase 1 Kreider System). After substantial unanticipated delays, on August 12, 2010 the PA-1 received a permit for construction of the Phase 1 Kreider system. Construction activities commenced during November 2010. The closing/settlement of the Pennvest Loan took place on November 3, 2010. PA-1 finished the construction of the Phase 1 Kreider System and entered a period of system operational shakedown during May 2011. The Phase 1 Kreider System reached full, stabilized operation by the end of the 2012 fiscal year. During 2011 the Pennsylvania Department of Environmental Protection (PADEP) re-certified the nutrient credits for this project. **The economics (potential revenues and profitability) of the Phase 1 Kreider System are based largely on the long term sale of nutrient (nitrogen and/or phosphorus) reduction credits to meet the requirements of the Chesapeake Bay environmental clean-up, which sales have not yet materialized.** The PADEP issued final permits for the Kreider System (including the credit verification plan) on August 1, 2012 on which date the Company deemed that the Kreider System was placed in service . As a result, PA-1 has commenced generating and verifying nutrient reduction credits for potential sale while continuing to utilize the system to test improvements and add-ons. Operating results of the Phase 1 Kreider System have documented the efficacy of Bion s nutrient reduction technology and vetted potential add-ons for future installations. During August 2012 the Company provided Pennvest (and the PADEP) with data demonstrating that the Kreider 1 system met the technology guaranty standards which were incorporated in the Pennvest financing documents and, as a result, the Pennvest Loan is now solely an obligation of PA-1. As a result of this extended period of operations, Bion is confident that future systems can be constructed with even higher operational efficiencies at lower capital expense and with lower operational costs. **To date liquidity in the Pennsylvania nutrient credit market has been slow to develop significant breadth and depth**

which limited liquidity has negatively impacted Bion s business plans and has prevented Bion from monetizing the nutrient reductions created by PA-1 s existing Kreider 1 project and Bion s other proposed projects. These challenges and difficulties (which continue to this date) have prevented PA-1 from generating any material revenues from the Kreider 1 project to date (PA-1 s Kreider 1 operating expenses have been funded by loans from Bion) and raise significant questions as to when, if ever, PA-1 will be able to generate such material revenues from the Kreider 1 system. PA-1 has been engaged in on-and-off negotiations with Pennvest related to forbearance and/or re-structuring its obligations pursuant to the Pennvest Loan for over 18 months. In the context of such negotiations, PA-1 has elected not to make interest payments to Pennvest on the Pennvest Loan since January 2013. Additionally, the Company has not made any principal payments, which were to begin in fiscal 2013, and, therefore, the Company has classified the Pennvest Loan as a current liability as of June 30, 2014. Due to the slow development of the nutrient reduction credit market, the Company determined that the carrying amount of the property and equipment related to the Kreider 1 project exceeded its estimated future

undiscounted cash flows based on certain assumptions regarding timing, level and probability of revenues from sales of nutrient reduction credits and, therefore, recorded a $2,000,000 impairment of the Kreider 1 assets which reduced the value of the Kreider 1 System to $4,349,482 as of June 30, 2014. Additional impairments may result if the nutrient credit market does not develop in the near term.

On September 25, 2014, Pennvest exercised its right to declare the Pennvest Loan in default and has accelerated the Pennvest Loan and has demanded that PA-1 pay $8,137,117 (principal, interest plus late charges) on or before October 24, 2014. The Company anticipates that discussions and negotiations will take place between PA-1 and Pennvest concerning this matter over the next 30 days. It is not possible at this date to predict the outcome of such negotiations, but the Company believes that an interim, short-term agreement will be reached that will allow PA-1 and Pennvest a further period of time for further negotiations and evaluation of possible long-term resolutions. Subject to the results of the negotiations with Pennvest and pending development of a more robust market for nutrient reductions in Pennsylvania, PA-1 and Bion anticipate that it will be necessary for the Company to evaluate various options with regard to Kreider 1 over the next 30-180 days.

During August 2012, the Company provided Pennvest (and the PADEP) with data demonstrating that the Kreider 1 system met the technology guaranty standards which were incorporated in the Pennvest financing documents and, as a result, the Pennvest Loan is now solely an obligation of PA-1.

The Company is currently conducting research and development activities at the Kreider 1 system while continuing commercial operations.

The Company continues its development work related to the second phase of the Kreider project (Phase 2 Kreider Project) which involves production of renewable energy from the waste of KF s poultry operations and the cellulosic solids recovered by the Kreider 1 system. During May 2011 the PADEP certified the Phase 2 Kreider Project for 559,457 nutrient credits under the old EPA s Chesapeake Bay model. The Company anticipates that this project will be certified for between 1.5-2 million nutrient reduction credits pursuant to the amended EPA Chesapeake Bay model which was published subsequent to the original certification. Recent announcements related to negotiations between the EPA and PADEP regarding Pennsylvania s Chesapeake Bay nutrient reduction non-compliance suggest that a resolution of certain matters is likely during the balance of this calendar year which may allow this project to move forward with re-certification and proceed toward design, permitting , construction and eventual operation during the 2015 calendar year. Assuming there are also positive developments related to the market for nutrient reductions in Pennsylvania, the Company intends to pursue development, design and construction of the Kreider poultry waste/renewable energy project with a goal of achieving operational status during 2015. **The economics (potential revenues and profitability) of the Phase 2 Kreider Project are based largely on the long term sale of nutrient (nitrogen and/or phosphorus) reduction credits to meet the requirements of the Chesapeake Bay environmental clean-up. However, liquidity in the Pennsylvania nutrient credit market has been slow to develop significant breadth and depth which lack of liquidity to date has negatively impacted Bion s business plans and has resulted in challenges to monetizing the nutrient reduction credits created by PA-1 s existing Kreider 1 project and will delay the Company s Phase 2 Kreider Project and other proposed projects in Pennsylvania.**

The Company has commenced activities related to marketing and potential use of its technology in relation to expansion and/or development of CAFO s in the Great Lakes watersheds and the Midwest states with current efforts being most advanced in Wisconsin. Bion considers this to be a large potential market for the Company s growth over the next 18-36 months (and thereafter). Legislation in Wisconsin which became effective during April 2014 represents a significant step forward towards opening business opportunities in that state (which must now promulgate regulations and take other steps related thereto). Based upon the final permitting and verification plan approval and operational results at the Kreider 1 system, the Company intends to seek to advance commercial sales in these regions and additional areas which face deadlines to meet EPA TMDL requirements.

A significant portion of Bion s current activities concern efforts with private and public stakeholders (at local and state level) in Pennsylvania, other Chesapeake Bay states and in Wisconsin and at the federal level (EPA and other executive departments and Congress) to establish appropriate public policies which will create regulations and funding mechanisms that foster installation of the low cost, technology-based environmental solutions that Bion (and others) can provide through clean-up of agricultural waste streams. In January 2013, the Pennsylvania Legislative Budget and Finance Committee issued a report stating that targeting upstream livestock would save Pennsylvania s taxpayers up to 80% of previously estimated costs (potential savings for Pennsylvania in excess of a billion dollars per year over the next 20 years) which would be available for other needs (notably aging drinking water and sewer infrastructure) while creating large local benefits of an upstream treatment strategy including reduced freshwater compliance costs, future cost avoidance of treating drinking water from contaminated local aquifers and increased economic activity for agriculture, tourism and recreation. The Coalition for an Affordable Bay Solution (Coalition) was formed to support the creation of a competitively-bid nitrogen trading program in Pennsylvania that will enable Pennsylvania to capture the economic benefits outlined in the legislative study. The Coalition supports legislation to establish a competitively-bid RFP program for nitrogen reductions, where bids will also be scored to reflect the value of the benefits to Pennsylvania s interior waterways and communities. Founding members of the Coalition represent both Chesapeake Bay and national industry participants, and include Bion, JBS, SA, Kreider Farms, and Fair Oaks Farms. The head of the Coalition is Ed Schafer, Bion s Executive Vice Chairman. Legislation was filed in the Pennsylvania Senate during the spring of 2013 that, if passed and signed into law, will potentially enable Bion (and others) to compete for public funding on an equal basis with public works and storm water authorities. **Activity related to such legislation has recently re-commenced with increased stakeholder support and Bion believes such legislation is likely to be passed (in some version) by the Pennsylvania Legislature during 2014-2015 but cannot predict the exact final content of such legislation or guarantee such passage.** If such a program is passed and implemented, Bion expects that the policies and strategies being developed in Pennsylvania will not only benefit the Company s existing and proposed Pennsylvania projects, but will also subsequently provide the basis for a larger Chesapeake Bay watershed strategy and, thereafter, a national clean water strategy. Legislation in Wisconsin, which became effective during April 2014, represents a significant step forward towards opening business opportunities in that state.

The Company believes that Pennsylvania (and the entire Chesapeake Bay watershed) and Wisconsin (and other Great Lakes Basin states) represent ground zero in the long-standing clean water battle between agriculture and the further regulation of agriculture relative to nutrient impacts. The ability of Bion and other technology providers to achieve verified reductions from agricultural non-point sources can resolve the current stalemate and enable implementation of constructive solutions that benefit all stakeholders, providing a mechanism that ensures that taxpayer funds will be used to achieve the most beneficial result at the lowest cost, regardless of source. All sources, point and non-point,

rural and urban, will be able to compete for tax payer-funded nitrogen reductions in a fair and transparent process; and since payment from the tax and rate payers will now be performance-based, these providers will be held financially accountable.

We believe that the overwhelming environmental, economic, quality of life and public health benefits to all stakeholders in the watersheds, both within and outside of Pennsylvania and Wisconsin, make the case for adoption of the strategies outlined in the Pennsylvania legislative study less an issue of if , but of when and how . The adoption of a competitive procurement program will have significant positive impact on technology providers that can deliver verified nitrogen reductions such, as Bion, by allocating existing tax- and rate-payer clean water funding to low cost solutions based upon a voluntary and transparent

procurement process. The Company believes that implementation of a competitively-bid nutrient reduction program to achieve the goals for the Chesapeake Bay watershed and/or the phosphorus reduction needs of Wisconsin can also provide a working policy models and platforms for other states to adopt that will enhance their efforts to comply with both current and future requirements for local and federal estuarine watersheds, including the Mississippi River/Gulf of Mexico, the Great Lakes Basin and other nutrient-impaired watersheds.

Additionally, we believe that Bion's technology platform (including utilization of various third party technologies to supplement the Company s proprietary technologies) will allow the integration of large-scale CAFOs and their end-product users, renewable energy production from the CAFO waste stream, and on site utilization of the renewable energy generated and biofuel/ethanol production in an environmentally and economically sustainable manner while reducing the aggregate capital expense and operating costs and increasing revenue and profitability for the entire integrated complex ("Integrated Projects" or "Projects"). In the context of Integrated Projects, Bion's waste treatment process, in addition to mitigating polluting releases, will generate renewable energy from cellulosic portions of the CAFO waste stream which renewable energy can be utilized by integrated facilities including ethanol plants, CAFO end-product processors (including cheese, ice cream and/or bottling plants in the case of dairy CAFOs, and/or slaughter and/or processing facilities in the context of beef CAFOs) and/or other users as a replacement for fossil fuel usage. In addition an integrated ethanol plant's main by-product, called distillers grain, can be added to the feed of the animals in wet form, thereby lowering the capital expenditures, operating, marketing and shipping costs and energy usage of the ethanol production process. In such cases, the ethanol plant would act as a feed mill for the integrated CAFO, thereby reducing the CAFO's feeding costs as well as generating revenue to the ethanol plant, and would also provide a market for the renewable energy that Bion's System produces from the CAFO waste stream. And, in some cases the nutrient rich liquid effluent from the Bion system modules may be directly utilized for greenhouse and/or hydroponic agriculture. Accordingly, such Bion Integrated Projects can be denominated "closed loop". Bion anticipates that many projects may initially include only partial integration. Based on the degree of integration in a Project, greater or lesser amounts of benefits will be realized. Bion, as developer of, and participant in, Integrated Projects, anticipates that it will share in the cost savings and the revenues generated from these activities.

Bion is currently working with local, state and federal officials with regard to regulatory and legislative initiatives, and with such parties and potential industry participants to evaluate sites in multiple states. The Company believes that its initial Integrated Project will most likely be located and developed (probably in stages) in Pennsylvania. Note that locations in other states are also under review and the initial Integrated Project could be developed elsewhere. It is possible that the Company will develop one or more Integrated Projects as joint ventures specifically targeted to meet the growing animal protein demand outside of the United States (including without limitation Asia, Europe and/or the Middle East). Bion intends to choose sites for additional Projects during the calendar years 2015-2017 to create a pipeline of Projects. Management has a 5-year development target (through calendar year 2020) of approximately 10-24 Integrated Projects. At the end of that period, Bion projects that 5 or more of these Integrated Projects will be in full operation in 3-5 states (or other locations), and the balance would be in various stages ranging from partial operation to early permitting stage. **No Integrated Project has been developed to date.**

The Company s audited financial statements for the years ended June 30, 2014 and 2013 have been prepared assuming the Company will continue as a going concern. The Company has incurred net losses of approximately $5,762,000 and $8,250,000 during the years ended June 30, 2014 and 2013, respectively. The Report of the Independent Registered Public Accounting Firm on the Company's consolidated financial statements as of and for the year ended June 30, 2014 includes a "going concern" explanatory paragraph which means that the accounting firm has expressed substantial doubt about the Company's ability to continue as a going concern. At June 30, 2014, the Company had a working capital deficit and a stockholders deficit of approximately $11,784,000 and $7,531,000, respectively. **Management's plans with respect to these matters are described in this section and in our consolidated financial statements (and notes thereto), and this material does not include any adjustments that might result from the outcome of this uncertainty. However, there is no guarantee that we will be able to raise sufficient funds or further capital for the operations planned in the near future.**

CRITICAL ACCOUNTING POLICIES

Management has identified the following policies below as critical to our business and results of operations. Our reported results are impacted by the application of the following accounting policies, certain of which require management to make subjective or complex judgments. These judgments involve making estimates about the effect of matters that are inherently uncertain and may significantly impact quarterly or annual results of operations. For all of these policies, management cautions that future events rarely develop exactly as expected, and the best estimates routinely require adjustment. Specific risks associated with these critical accounting policies are described in the paragraphs below.

Revenue Recognition

While the Company has not recognized any significant operating revenues for the past two fiscal years, the Company has commenced generation of revenues during the year ended June 30, 2013. Revenues are generated from the sale of nutrient reduction credits, product sales, technology license fees, annual waste treatment fees and/or direct ownership interests in Integrated Projects. The Company recognizes revenue from the sale of nutrient credits and products when there is persuasive evidence that an arrangement exists, when title has passed, the price is fixed or determinable, and collection is reasonably assured. The Company expects that technology license fees will be generated from the licensing of Bion's systems. The Company anticipates that it will charge its customers a non-refundable up-front technology license fee, which will be recognized over the estimated life of the customer relationship. In addition, any on-going technology license fees will be recognized as earned based upon the performance requirements of the agreement. Annual waste treatment fees will be recognized upon receipt. Revenues, if any, from the Company's interest in Projects will be recognized when the entity in which the Project has been developed recognizes such revenue.

Stock-based compensation

The Company follows the provisions of Accounting Standards Codification (ASC) 718, which generally requires that share-based compensation transactions be accounted and recognized in the statement of income based upon their grant date fair values.

Derivative Financial Instruments:

Pursuant to ASC Topic 815 Derivatives and Hedging (Topic 815), the Company reviews all financial instruments for the existence of features which may require fair value accounting and a related mark-to-market adjustment at each reporting period end. Once determined, the Company assesses these instruments as derivative liabilities. The fair value of these instruments is adjusted to reflect the fair value at each reporting period end, with any increase or decrease in the fair value being recorded in results of operations as an adjustment to fair value of derivatives.

Warrants:

The Company has issued warrants to purchase common shares of the Company. Warrants are valued using a fair value based method, whereby the fair value of the warrant is determined at the warrant issue date using a market-based option valuation model based on factors including an evaluation of the Company s value as of the date of the issuance, consideration of the Company s limited liquid resources and business prospects, the market price of the Company s stock in its mostly inactive public market and the historical valuations and purchases of the Company s warrants. When warrants are issued in combination with debt or equity securities, the warrants are valued and accounted for based on the relative fair value of the warrants in relation to the total value assigned to the debt or equity securities and warrants combined.

Property and equipment:

Property and equipment are stated at cost and are depreciated, when placed into service, using the straight-line method over the estimated useful lives of the related assets, generally three to twenty years. The Company capitalizes all direct costs and all indirect incrementally identifiable costs related to the design and construction of its Integrated Projects. The Company reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized based on the amount by which the carrying value of the assets or asset group exceeds its estimated fair value, and is recognized as a loss from operations.

Recent Accounting Pronouncements:

The Company has evaluated all newly issued accounting pronouncements and believes such pronouncements do not have a material effect on the Company s financial statements.

YEAR ENDED JUNE 30, 2014 COMPARED TO THE YEAR ENDED JUNE 30, 2013

Revenue

Total revenues were approximately $6,000 and $12,000 for the years ended June 30, 2014 and 2013, respectively. The Company recognized revenue from nutrient credit sales for the years ended June 30, 2014 and 2013.

General and Administrative

Total general and administrative expenses were $2,269,000 and $6,875,000 for the years ended June 30, 2014 and 2013, respectively.

General and administrative expenses, excluding stock-based compensation charges of $315,000 and $4,173,000, were $1,954,000 and $2,702,000 for the years ended June 30, 2014 and 2013, respectively, representing a $748,000 decrease. Salaries and related payroll tax expenses decreased to $820,000 for the year ended June 30, 2014 from $1,255,000 for the year ended June 30, 2013, primarily due to the fact that during the year ended June 30, 2014 five employees were terminated (some of whom have continued to work with the Company on an as-needed consulting basis receiving compensation in the Company s securities and/or deferring their compensation) which reduced recurring salary and payroll tax costs but was partially offset by accruals for termination benefits. Consulting costs were $609,000 and $648,000 for the years ended June 30, 2014 and 2013, respectively, representing a $39,000 decrease primarily due to the decreased utilization of a strategic affair consultant during the fiscal 2014 period partially offset by consulting costs for services of former employees. Contract labor costs at Kreider 1 were $24,000 and $86,000 for the years ended June 30, 2014 and 2013, respectively, representing a $62,000 decrease due to Bion no

longer needing to pay for labor coverage. Utilities, and repair and maintenance costs at Kreider 1 also decreased $34,000 and $33,000, respectively from the year ended June 30, 2013 compared to the year ended June 30, 2014 to due higher efficiencies at the project during the 2014 fiscal year. Travel expenses were $39,000 and $96,000 for the years ended June 30, 2014 and 2013, respectively, with the decrease attributable to fewer employees thus lower travel costs.

General and administrative stock-based employee compensation for the years ended June 30, 2014 and 2013 consists of the following:

	Year ended June 30, 2014	Year ended June 30, 2013
General and administrative:		
Fair value of stock/warrant bonuses expensed	$ -	$1,159,000

Fair value of stock issued to an employee	95,000
	100,000
Change in fair value from modification of option and warrant terms	308,000
	2,497,000
Fair value of stock options (credited)/ expensed under ASC 718	(88,000)
	417,000
Total	$315,000
	$4,173,000

Stock-based compensation charges were $315,000 and $4,173,000 for the years ended June 30, 2014 and 2013, respectively. The Company recognized general and administrative non-cash compensation expenses of nil and $1,159,000 during the years ended June 30, 2014 and 2013, respectively, due to the granting and vesting of stock and warrant bonuses in connection with the extension of employment agreements of two key officers during the year ended June 30, 2013. Compensation expense relating to the change in fair value from the modification of option and warrant terms was $308,000 and $2,497,000 for the years ended June 30, 2014 and 2013, respectively, as the Company granted an extension of option expiration dates for a terminated employee and also granted exercise bonuses to a key employee and board member during the year ended June 30, 2014, while during the year ended June 30, 2013

two key officers received modification of options and warrants under execution/exercise bonuses. Compensation (credits)/expense relating to stock options was $(88,000) and $417,000 during the years ended June 30, 2014 and 2013, respectively, with the decrease resulting from the forfeiture of previously expensed unvested stock options of two employees terminated during the year ended June 30, 2014.

Depreciation

Total depreciation expense was $979,000 and $906,000 for the years ended June 30, 2014 and 2013, respectively. Depreciation expense is higher for the year ended June 30, 2014 due to a full year s depreciation of Kreider 1 which was placed in service on August 1, 2012 and its components are being depreciated over their estimated useful lives, versus eleven months during the year ended June 30, 2013.

Impairment loss on property and equipment

Impairment loss on property and equipment was $2,000,000 and nil for the years ended June 30, 2014 and 2013, respectively. Management reviewed property and equipment for impairment as of June 30, 2014 and determined that the carrying amount of property and equipment related to the Kreider 1 project exceeded its estimated future undiscounted cash flows under certain assumptions regarding the timing, probability and levels of revenue from sales of nutrient reduction credits. Management estimated the fair value of the property and equipment, based on such assumptions and the discounted cash flow method, and determined that $2,000,000 of the property and equipment was impaired.

Research and Development

Total research and development expenses were $135,000 and $192,000 for the years ended June 30, 2014 and 2013, respectively.

Research and development expenses, excluding stock-based compensation (credits)/charges of $(117,000) and $38,000 were $252,000 and $154,000 for the years ended June 30, 2014 and 2013, respectively. The primary reason for the increase is due to pilot program testing related to the enhancement of the Company s technology.

Research and development stock-based employee compensation for the years ended June 30, 2014 and 2013 consists of the following:

	Year ended June 30, 2014	Year ended June 30, 2013
Research and development:		
Fair value of stock options (credited)/expensed under ASC 718	$ (117,000)	$ 38,000
Total	$ (117,000)	$ 38,000

Stock-based compensation expense decreased from $38,000 for the year ended June 30, 2013 to $(117,000) for the year ended June 30, 2014 due to the forfeiture of previously expensed unvested stock option of an employee terminated during the year ended June 30, 2014.

Loss from Operations

As a result of the factors described above, the loss from operations was $5,377,000 and $7,960,000 for the years ended June 30, 2014 and 2013, respectively.

Other Expense (Income)

Other expense was $385,000 and $290,000 for the years ended June 30, 2014 and 2013, respectively. Interest expense increased to $403,000 for the year ended June 30, 2014 from $290,000 for the year ended June 30, 2013. Interest expense increased due to the Pennvest loan interest no longer being capitalized as of August 1, 2012 due to Kreider 1 being placed in service. The Pennvest non-capitalized loan interest was $197,000 and $182,000 for the years ended June 30, 2014 and 2013, respectively. The interest related to deferred compensation balances owed to Brightcap and Mark Smith and another employee also increased from $92,000 for the year ended June 30, 2013 to $172,000 for the year ended June 30, 2014. Loan payable affiliate interest expense was $23,000 and $7,000 for the years ended June 30, 2014 and 2013, respectively. During the year ended June 30, 2014, the Company recognized other income of $20,000 due to the gain on extinguishment of liabilities, for which the Company was legally released from payment.

Net Loss Attributable to the Noncontrolling Interest

The net loss attributable to the noncontrolling interest was $3,000 and $6,000 for the years ended June 30, 2014 and 2013, respectively.

Net Loss Attributable to Bion s Common Stockholders

As a result of the factors described above, the net loss attributable to Bion s stockholders was $5,761,000 and $8,248,000 for the year ended June 30, 2014 and 2013, respectively, and the net loss per basic and diluted common share was $0.31 and $0.48, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated financial statements for the year ended June 30, 2014 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Report of our Independent Registered Public Accounting Firm on the Company's consolidated financial statements as of and for the year ended June 30, 2014 includes a "going concern" explanatory paragraph which means that the auditors stated that conditions exist that raise substantial doubt about the Company's

ability to continue as a going concern.

Operating Activities

As of June 30, 2014, the Company had cash of approximately $186,000. During the year ended June 30, 2014, net cash used in operating activities was $992,000, primarily consisting of cash operating expenses related to the Kreider Farms Project (KF) that are no longer being capitalized, salaries and benefits, and other general and administrative costs. **As previously noted, the Company is currently not generating significant revenue and accordingly has not generated cash flows from operations. The Company does not anticipate generating sufficient revenues to offset operating and capital costs for a minimum of two to five years. While there are no assurances that the Company will be successful in its efforts to develop and construct its Projects and market its Systems, it is certain that the Company will require substantial funding from external sources. Given the unsettled state of the current credit and capital markets for companies such as Bion, there is no assurance the Company will be able to raise the funds it needs on reasonable terms.**

Investing Activities

During the year ended June 30, 2014, $57,000 of restricted cash related to the Company s secured letter of credit which guaranteed its New York office lease was released.

Financing Activities

During the year ended June 30, 2014, the Company received cash proceeds of $944,000 related to the sale of the Company s restricted common shares and $25,000 due to the receipt of a subscription receivable. The Company also received $185,000 from loans from affiliates. The Company used $71,000 to repay a loan payable to an affiliate and incurred share issuance costs of $7,000.

As of June 30, 2014 the Company has debt obligations consisting of: a) loans payable affiliates of $382,000, b) deferred compensation of $717,000, c) convertible notes payable affiliates of $1,737,000, and, d) a loan payable of $7,754,000 (owed by PA-1)(plus accrued interest of $313,000).

Plan of Operations and Outlook

As of June 30, 2014, the Company had cash of approximately $186,000.

The Company continues to explore sources of additional financing to satisfy its current operating requirements as it is not currently generating any significant revenues. During fiscal years 2013 and 2014 (and during the current period), the Company experienced greater difficulty in raising equity and debt funding than in the prior years. During the year ended June 30, 2014 and during the period thereafter, the Company had the greatest difficulty raising funds to date. As a result, the Company faced, and continues to face, significant cash flow management challenges due to material working capital constraints. To partially mitigate these working capital constraints, the Company s core senior management and some key employees and consultants have been deferring all or part of their cash compensation and/or are accepting compensation in the form of securities of the Company (Notes 5 and 7 to Financial Statements) and members of the Company s senior management have made loans to the Company totaling approximately $382,000 including interest as of June 30, 2014. As of June 30, 2014 such deferrals totaled approximately $2,453,000 (including accrued interest and deferred compensation converted into promissory notes). **The extended constraints on available resources have had, and continue to have, negative effects on the pace and scope of the Company s effort to develop its business**. The Company has made reductions in its personnel during the year ended June 30, 2014. The Company has had to delay payments of trade obligations and economize in many ways that have potentially negative consequences. The Company s accounts payable have increased materially over this period. If the Company does not have greater success in its efforts to raise needed funds during the current year (and subsequent periods), we will need to consider deeper cuts (including additional personnel cuts) and curtailments of operations (including possibly Kreider 1 operations). The Company will need to obtain additional capital to fund its operations and technology development, to satisfy existing creditors, to develop Integrated Projects and CAFO waste remediation systems (including the Kreider 2 facility) and to continue to operate the Kreider 1 facility (subject to agreements being reached with Pennvest as discussed above). The Company anticipates that it will seek to raise from $2,500,000 to $50,000,000 or more (debt and equity) during the next twelve months. **However, as discussed above, there is no guarantee that we will be able to raise sufficient funds or further capital for the operations planned in the near future.**

The Company is not currently generating any significant revenues. Further, the Company s anticipated revenues from existing projects and proposed projects will not be sufficient to meet the Company s anticipated operational and capital expenditure needs for many years. During the year ended June 30, 2014 the Company raised proceeds of $944,000 through the sale of its securities (Note 8 to Financial Statements) and anticipates raising additional funds from such sales. **However, there is no guarantee that we will be able to raise sufficient funds or further capital for the operations planned in the near future.**

Because the Company is not currently generating significant revenues, the Company will need to obtain additional capital to fund its operations and technology development, to satisfy existing creditors, to develop Projects and to sustain operations at the KF 1 facility.

On January 26, 2009 the Board of the Pennsylvania Infrastructure Investment Authority (Pennvest) approved a $7.75 million loan to Bion PA 1, LLC (PA-1), a wholly-owned subsidiary of the Company, for the initial stage of Bion's Kreider Farms project (Phase 1 Kreider System). After substantial unanticipated delays, on August 12, 2010 the PA-1 received a permit for construction of the Phase 1 Kreider system. Construction activities commenced during November 2010. The closing/settlement of the Pennvest Loan took place on November 3, 2010. PA-1 finished the construction of the Phase 1 Kreider System and entered a period of system operational shakedown during May 2011. The Phase 1 Kreider System reached full, stabilized operation by the end of the 2012 fiscal year. During 2011 the Pennsylvania Department of Environmental Protection (PADEP) re-certified the nutrient credits for this project. The economics (potential revenues and profitability) of the Kreider 1 System are based largely on the long term sale of nutrient (nitrogen and/or phosphorus) reduction credits to meet the requirements of the Chesapeake Bay environmental clean-up. The PADEP issued final permits for the Kreider System (including the credit verification plan) on August 1, 2012 on which date the Company deemed that the Kreider System was placed in service . As a result, PA-1 has commenced generating nutrient reduction credits for potential sale while continuing to utilize the system to test improvements and add-ons. Operating results of the Phase 1 Kreider system have documented the efficacy of Bion s nutrient reduction technology and vetted potential add-ons for future installations. During August

2012 the Company provided Pennvest (and the PADEP) with data demonstrating that the Kreider 1 system met the technology guaranty standards which were incorporated in the Pennvest financing documents and, as a result, the Pennvest Loan is now solely an obligation of PA-1. As a result of this extended period of

operations, Bion is confident that future systems can be constructed with even higher operational efficiencies at lower capital expense and with lower operational costs. **To date liquidity in the Pennsylvania nutrient credit market has been slow to develop significant breadth and depth which limited liquidity has negatively impacted Bion s business plans and has prevented Bion from monetizing the nutrient reductions created by PA-1 s existing Kreider 1 project and Bion s other proposed projects. These challenges and difficulties (which continue to this date) have prevented PA-1 from generating any material revenues from the Kreider 1 project to date (PA-1 s Kreider 1 operating expenses have been funded by loans from Bion) and raise significant questions as to when, if ever, PA-1 will be able to generate material revenues from the Kreider 1 system. Additionally, the Company has not made any interest or principal payments, which were to begin in fiscal 2013, and, therefore, the Company has classified the Pennvest Loan as a current liability as of June 30, 2014. Due to the slow development of the nutrient reduction credit market, the Company determined that the carrying amount of the property and equipment related to the Kreider 1 project exceeded its estimated future undiscounted cash flows based on certain assumptions regarding timing, level and probability of revenues from sales of nutrient reduction credits and, therefore, recorded a $2,000,000 impairment of the Kreider 1 assets which reduced the value of the Kreider 1 System to $4,349,482 as of June 30, 2014. Additional impairments may result if the nutrient credit market does not develop in the near term.**

On September 25, 2014, Pennvest exercised its right to declare the Pennvest Loan in default and has accelerated the Pennvest Loan and has demanded that PA-1 pay $8,137,117 (principal, interest plus late charges) on or before October 24, 2014. The Company anticipates that discussions and negotiations will take place between PA-1 and Pennvest concerning this matter over the next 30 days. It is not possible at this date to predict the outcome of such negotiations, but the Company believes that an interim, short-term agreement will be reached that will allow PA-1 and Pennvest a further period of time for further negotiations and evaluation of possible long-term resolutions. Subject to the results of the negotiations with Pennvest and pending development of a more robust market for nutrient reductions in Pennsylvania, PA-1 and Bion anticipate that it will be necessary for the Company to evaluate various options with regard to Kreider 1 over the next 30-180 days.

During August 2012, the Company provided Pennvest (and the PADEP) with data demonstrating that the Kreider 1 system met the technology guaranty standards which were incorporated in the Pennvest financing documents and, as a result, the Pennvest Loan is now solely an obligation of PA-1.

The Company is currently conducting research and development activities at Kreider 1 while continuing commercial operations.

As indicated above, the Company anticipates that it will seek to raise from $2,500,000 to $50,000,000 or more (debt and equity) during the next twelve months, some of which may be in the context of joint ventures for the development

of one or more Integrated Projects. **We reiterate that there is no assurance, especially in the extremely unsettled capital markets that presently exist for companies such as Bion, that the Company will be able to obtain the funds that it needs to stay in business, finance its Projects and other activities, continue its technology development and/or to successfully develop its business.**

There is extremely limited likelihood that funds required during the next twelve months or in the periods immediately thereafter will be generated from operations and there is no assurance that those funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations and/or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. Further, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significantly dilutive effect on the Company's existing shareholders. All of these factors have been exacerbated by the extremely unsettled credit and capital markets presently existing for companies such as Bion.

Currently, Bion is focused on using applications of its patented waste management technology and its technology platform to pursue three main business opportunities: 1) development of Integrated Projects which will include large CAFOs, such as large dairies, beef cattle feed lots and hog farms, with Bion waste treatment System modules processing the aggregate CAFO waste stream from the equivalent of 40,000 or more beef and/or dairy cows (or the waste stream equivalent of other species) while producing solids to be utilized for renewable energy production (and potentially to be marketed as feed and/or fertilizer), integrated with an ethanol plant capable of producing 40 million gallons (or more) of ethanol per year, and/or integrated with CAFO end product processors, 2) installation of Bion systems to retrofit and environmentally remediate existing CAFOs in selected markets where: a) government policy supports such efforts (such as the Chesapeake Bay watershed and Wisconsin or, potentially, other areas seeking to meet EPA TMDL requirements) and/or b) where CAFO s need our technology to obtain permits to expand or develop without negative environmental consequences, and 3) licensing and/or joint venturing its technology for use outside of North America.

The Company has commenced activities related to marketing and potential use of its technology in relation to expansion and/or development of CAFO s in the Northeast and Midwest (and elsewhere). Bion considers this to be a large potential market for the Company s growth over the next 18-36 months (and thereafter). Assuming that the Company can be successful in raising necessary funding and the development of a more robust market for nutrient reductions in Pennsylvania (and elsewhere), neither of which are assured at this date, it is anticipated at such activities will accelerate based on the operating results achieved by the Kreider 1 system.

The Company continues its development work related to the second phase of the Kreider project (Phase 2 Kreider Project) which involves production of renewable energy from the waste of KF s poultry operations and the cellulosic solids recovered by the Kreider 1 system. During May 2011 the PADEP certified the Phase 2 Kreider Project for 559,457 nutrient credits under the old EPA s Chesapeake Bay model. The Company anticipates that this project will be certified for between 1.5-2 million nutrient reduction credits pursuant to the amended EPA Chesapeake Bay model which was published subsequent to the original certification. Recent announcements related to negotiations between the EPA and PADEP regarding Pennsylvania s Chesapeake Bay nutrient reduction non-compliance suggest that a resolution of certain matters is likely during the balance of this calendar year which may allow this project to move forward with re-certification and proceed toward design, permitting , construction and eventual operation during the 2015 calendar year. Assuming there are also positive developments related to the market for nutrient reductions in Pennsylvania (of which there is no assurance), the Company intends to pursue development, design and construction of the Phase 2 Kreider Project with a goal of achieving operational status during 2015., **The economics (potential**

revenues and profitability) of the Phase 2 Kreider Project are based largely on the long term sale of nutrient (nitrogen and/or phosphorus) reduction credits to meet the requirements of the Chesapeake Bay environmental clean-up. However, liquidity in the Pennsylvania nutrient credit market has been slow to develop significant breadth and depth which to date has negatively impacted Bion s business plans and has resulted in challenges to monetizing the nutrient reduction credits created by PA-1 s existing Kreider 1 project and will delay the Company s Phase 2 Kreider Project and other proposed projects in Pennsylvania.

Bion is currently working with local, state and federal officials with regard to regulatory and legislative initiatives, and with such parties and potential industry participants to evaluate sites in multiple states. The Company believes that its initial Integrated Project will most likely be located and developed (possibly in stages) in Pennsylvania. Note that locations in other states are also under review and the initial Integrated Project could be developed elsewhere. It is possible that the Company will develop one or more Integrated Projects as joint ventures specifically targeted to meet the growing animal protein demand outside of the United States (including without limitation Asia, Europe and/or the Middle East). Bion intends to choose sites for additional Projects during the calendar years 2015-2017 to create a pipeline of Projects. Management has a 5-year development target (through calendar year 2020) of approximately 10-24 Integrated Projects. At the end of that period, Bion projects that 5 or more of these Integrated Projects will be in full operation in 3-5 states (or other locations), and the balance would be in various stages ranging from partial operation to early permitting stage. **No Integrated Project has been developed to date.**

CONTRACTUAL OBLIGATIONS

We have the following material contractual obligations (in addition to employment and consulting agreements with management and employees):

On September 27, 2008, the Company executed an agreement with Kreider Farms (and its affiliated entities) (collectively "Kreider") to design, construct and operate, through its wholly-owned subsidiary PA-1, a Bion system to treat the waste of the dairy cows (milkers, dry cows and heifers) at the Kreider Dairy, located in Mannheim, Pennsylvania. In addition, this agreement (as amended and extended) provides for a second phase which will include treatment of the cellulosic solid wastes from the Kreider 1 together with the waste stream from Kreider's poultry facilities to produce renewable energy for Bion's waste treatment facility and/or for market sales. The Kreider 1 system is owned and operated by PA-1, in which Kreider has the option to purchase a minority interest. Funds were expended over the last year to complete the construction of the Kreider 1 System and substantial capital and operating funds (equity and/or debt) has been and will continue to be expended. The Company anticipates that PA-1 will receive revenue from the sale of nutrient (and other) environmental credits related to the Kreider 1 system, and through sales of renewable energy generated in connection with the second phase (largely poultry manure) of the Kreider project. The $7.75 million loan from the Pennsylvania Infrastructure Investment Authority to PA-1 (Pennvest Loan), together with funds provided by the Company, has provided the funds for construction of the Kreider 1 system. The Pennvest loan is to be repaid by interest only payments for the first three years, followed by an additional ten-year amortization of principal, and matures in November 2023. The Kreider 1 system reached full, stabilized operation by the end of the 2012 fiscal year and received final permits during August 2012. The Pennsylvania Department of Environmental Protection re-certified the nutrient credits for this project. As a result, PA-1 can now commence

generating and verifying nutrient reduction credits for sale while continuing to utilize the system to test improvements and add-ons. Operating results of the Phase 1 Kreider system have documented the efficacy of Bion s nutrient reduction technology and vetted potential add-ons for future installations. As a result of this extended period of operations, Bion is confident that future systems can be constructed with even higher operational efficiencies at lower capital expense and with lower operational costs. **To date liquidity in the Pennsylvania nutrient credit market has been slow to develop significant breadth and depth which limited liquidity has negatively impacted Bion s business plans and has prevented Bion from monetizing the nutrient reductions created by PA-1 s existing Kreider 1 project and Bion s other proposed projects. These challenges and difficulties (which continue to this date) have prevented PA-1 from generating any material revenues from the Kreider 1 project to date (PA-1 s Kreider 1 operating expenses have been funded by loans from Bion) and raise significant questions as to when, if ever, PA-1 will be able to generate material revenues from the Kreider 1 system. PA-1 has been engaged in on-and-off negotiations with Pennvest related to forbearance and/or re-structuring its obligations pursuant to the Pennvest Loan for over 18 months. In the context of such negotiations, PA-1 has elected not to make interest payments to Pennvest on the Pennvest Loan since January 2013. Additionally, the Company has not made any principal payments, which were to begin in fiscal 2013, and, therefore, the Company has classified the Pennvest Loan as a current liability as of June 30, 2014. Due to the slow development of the nutrient reduction credit market, the Company determined that the carrying amount of the property and equipment related to the Kreider 1 project exceeded its estimated future undiscounted cash flows based on certain assumptions regarding timing, level and probability of revenues from sales of nutrient reduction credits and, therefore, recorded a $2,000,000 impairment of the Kreider 1 assets which reduced the value of the Kreider 1 System to $4,349,482 as of June 30, 2014. Additional impairments may result if the nutrient credit market does not develop in the near term.**

On September 25, 2014, Pennvest exercised its right to declare the Pennvest Loan in default and has accelerated the Pennvest Loan and has demanded that PA-1 pay $8,137,117 (principal, interest plus late charges) on or before October 24, 2014. The Company anticipates that discussions and negotiations will take place between PA-1 and Pennvest concerning this matter over the next 30 days. It is not possible at this date to predict the outcome of such negotiations, but the Company believes that an interim, short-term agreement will be reached that will allow PA-1 and Pennvest a further period of time for further negotiations and evaluation of possible long-term resolutions. Subject to the results of the negotiations with Pennvest and pending development of a more robust market for nutrient reductions in Pennsylvania, PA-1 and Bion anticipate that it will be necessary for the Company to evaluate various options with regard to Kreider 1 over the next 30-180 days.

During August 2012, the Company provided Pennvest (and the PADEP) with data demonstrating that the Kreider 1 system met the technology guaranty standards which were incorporated in the Pennvest financing documents and, as a result, the Pennvest Loan is now solely an obligation of PA-1.

The Company is currently conducting research and development activities at Kreider 1 while continuing commercial operations.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements (as that term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future material effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

N/A

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements are set forth on pages F-1 through F-28 hereto.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

As of June 30, 2014, under the supervision and with the participation of the Company's President and Principal Financial Officer (the same person), management has evaluated the effectiveness of the design and operations of the Company's disclosure controls and procedures. Based on that evaluation, the President and Principal Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2014 as a result of the material weakness in internal control over financial reporting discussed below.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the last fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Our Chief Executive Officer and Principal Financial Officer (the same person) conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework") and the related guidance provided in Internal Control Over Financial Reporting Guidance for Smaller Public Companies, also issued by the Committee of Sponsoring Organizations.

Based on this evaluation, management has concluded that our internal control over financial reporting was not effective as of June 30, 2014. Our President and Principal Financial Officer concluded we have a material weakness due to lack of segregation of duties. Our size has prevented us from being able to employ sufficient resources to enable us to have an adequate level of supervision and segregation of duties within our internal control system. There is one person involved in the processing of the Company's accounting and banking transactions and a single person with overall supervision and review of the cash disbursements and receipts and the overall accounting process. Therefore, while there are some compensating controls in place, it is difficult to ensure effective segregation of accounting duties. While we strive to segregate duties as much as practicable, there is an insufficient volume of transactions to justify additional full time staff. As a result of this material weakness, we have implemented remediation procedures whereby in May 2006 we engaged an outside accounting and consulting firm with SEC and US GAAP experience to assist us with the preparation of our financial statements, evaluation of complex accounting issues and the implementation of systems to improve controls and review procedures over all financial statement and account balances. We believe that this outside consultant's review improved our disclosure controls and procedures. If this review is effective throughout a period of time, we believe it will help remediate the segregation of duties material weakness. However, we may not be able to fully remediate the material weakness unless we hire more staff. We will continue to monitor and assess the costs and benefits of additional staffing.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report on internal control in this annual report.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Our directors, executive officers and significant employees/consultants, along with their respective ages and positions are as follows:

Name	Age	Position
Directors and Officers:		

Mark A. Smith	64	Executive Chairman, President, General Counsel, Chief Financial Officer and Director
Edward T. Schafer	68	Executive Vice Chairman and Director
Jon Northrop	71	

Secretary and Director

Dominic Bassani

68

Chief Executive Officer

Mark A. Smith (64) currently serves Bion Environmental Technologies, Inc. as Executive Chairman, President, General Counsel, Chief Financial Officer and a director and has continually served in senior positions since late March 2003. Since that time, he has also served as sole director, President and General Counsel of Bion's wholly-owned subsidiaries including Project Group and Services Group. Since mid-February 2003, Mr. Smith has served as sole director and President and General Counsel of Bion's majority-owned subsidiary, Centerpoint Corporation. Mr. Smith also serves as Manager of Bion PA1, LLC. Previously, from May 21, 1999 through January 31, 2002, Mr. Smith served as a director of Bion. From July 23, 1999, when he became President of Bion, until mid-2001 when he ceased to be Chairman, Mr. Smith served in senior positions with Bion on a consulting basis. Additionally, Mr. Smith was the president of RSTS Corporation prior to its acquisition of Bion Technologies, Inc. in 1992. Mr. Smith received a Juris Doctor Degree from the University of Colorado School of Law, Boulder, Colorado (1980) and a BS from Amherst College, Amherst, Massachusetts (1971). Mr. Smith has engaged in the private practice of law in Colorado since 1980. In addition, Mr. Smith has been active in running private family companies, Stonehenge Corporation (until 1994) and LoTayLingKyur, Inc. (1994-2002). Until returning to Bion during March 2003, Mr. Smith had been in retirement with focus on charitable work and spiritual retreat.

Edward T. Schafer (68) Edward Schafer has served the Company's senior management team as Executive Vice Chairman and has been a member of the Company's Board of Directors since January 1, 2011. Mr. Schafer served as a consultant to Bion since July 2010. Mr. Schafer has served as a director of Continental Resources (NYSE-CLR) since October 2011. He also chairs the Board of Directors of Dynamic Food Ingredients and the Theodore Roosevelt Medora Foundation. In addition he has served on the Board of Governors of Amity Technology LLP since 2009 and the Board of Directors of AGCO-Amity JV since it was formed in 2011. Mr. Schafer served as a trustee of the Investors Real Estate Trust (NASDAQGS-IRET) from September 2009 to October 2011. He also served as a trustee of the IRET from September 2006 through December 2007, when he resigned from the IRET's Board to serve as Secretary of the U.S. Department of Agriculture under President George W. Bush. Mr. Schafer, a private investor, is a former Governor of North Dakota. He served as Chief Executive Officer of Extend America, a telecommunications company, from 2001 to 2006, and he has been a member of the Boards of RDO Equipment Co., a privately-owned agricultural and construction equipment company (August 2001 to July 2003) and the University of North Dakota Foundation (June 2005 to December 2007). Mr. Schafer brings the following experience, qualifications, attributes and skills to the Company: general business management, budgeting and strategic planning experience from his service as Chief Executive Officer of Extend America and extensive government, regulatory, strategic planning, budgeting administrative and public affairs experience from his service as Governor of North Dakota and Secretary of the US Department of Agriculture**.**

Jon Northrop (71) has served as our Secretary and a Director since March of 2003. Since September 2001 he has been self employed as a consultant with a practice focused on business buyer advocacy. Mr. Northrop is one of our founders and served as our Chief Executive Officer and a Director from our inception in September 1989 until August 2001. Before founding Bion Technologies, Inc., he served in a wide variety of managerial and executive positions. He was the Executive Director of Davis, Graham & Stubbs, one of Denver's largest law firms, from 1981 to 1989. Prior to his law firm experience, Mr. Northrop worked at Samsonite Corporation's Luggage Division in Denver, Colorado, for over 12 years. His experience was in all aspects of manufacturing, systems design and implementation, and planning and finance, ending with three years as the Division's Vice President, Finance. Mr. Northrop has a bachelor's degree in Physics from Amherst College, Amherst, Massachusetts (1965), an MBA in Finance from the University of Chicago, Chicago, Illinois (1969), and spent several years conducting post graduate research in low energy particle physics at Case Institute of Technology, Cleveland.

Dominic Bassani (68) has served as Chief Executive Officer of Bion Environmental Technologies, Inc. since April 2011. Previously he was a full-time consultant to the Company and served as the General Manager of Bion's Projects Group subsidiary from April 2003 through September 2006. From September 15, 2008 he has served as Director-Special Projects and Strategic Planning of the Company and our Projects Group subsidiary. He has been an investor in and consultant to Bion since December 1999. He is an independent investor and since 1990 has owned and operated Brightcap, a management consulting company that provides management services to early stage technology companies. He was a founding investor in 1993 in Initial Acquisition Corp. that subsequently merged in 1995 with Hollis Eden Corp. (HEPH), a biotech company specializing in immune response drugs. From early 1998 until June 1999 he was a consultant to Internet Commerce Corp. (re-named EasyLink Services International Corporation) (ESIC), a leader in business-to-business transactions using the Internet. He is presently an investor in numerous

private and public companies primarily in technology related businesses. From 1980 until 1986, Mr. Bassani focused primarily on providing management reorganization services to manufacturing companies and in particular to generic pharmaceutical manufacturers and their financial sponsors.

Family Relationships

There are currently no family relationships among our Directors and Executive Officers.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our officers and directors, and stockholders owning more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. The Company is not aware of any persons who failed to timely file reports under this section.

Involvement in Legal Proceedings

To the best of our knowledge, during the past five years, none of the following occurred with respect to our directors or executive officers:

(1)

any bankruptcy petition filed by or against any business of which one of them was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(2)

any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3)

being subject to any order, judgment or decree of any court of competent jurisdiction, permanently or temporarily inquiring, barring, suspending or otherwise limiting involvement in any type of business, securities or banking activities; and

(4)

being found by a court of competent jurisdiction, the SEC or the CFTC to have violated Federal or state securities or commodities laws.

Audit Committee

The Company has no audit committee and is not now required to have one, or an audit committee financial expert.

Code of Ethics

To date, the Company has not adopted a code of business conduct and ethics applicable to its officers, directors or accounting officer.

ITEM 11. EXECUTIVE COMPENSATION.

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation paid to, or accrued for, each of our current and former executive officers during each of our last two fiscal years and the compensation paid to, or accrued for, each of our significant employees and consultants for the same period.

Summary Compensation

Name and Principal Position	Fiscal Year	Salary(1)

Bonus

Stock

Awards

Option

Awards(2)

Non-Equity

Incentive

Plan Com-

pensation

Non-

Qualified

Deferred

Compensa-

tion Earnings

						Other Compen-sation (5)	
							Total
Mark A. Smith (3)	President and Interim Chief Financial Officer since March 25, 2003, and Director	2014					
		2013					

	$224,000
	$250,000
	$ -
	$25,000
	$ -
	$487,500
	$ -
	$ 49,700
	$ -
	$ -
	$ -
	$ -
	$ -
	$ 967,000
	$ 224,000
	$1,779,200

Brightcap/Dominic Bassani (4)	VP-Special Projects & Strategic Planning and Chief Executive Officer	2014	$312,000	$312,000	$ -	$ 5,000	$ -	$585,000	
		2013							
			$ -	$ -	$ -	$ -	$ -	$ -	$1,480,000

								$ 312,000	
								$2,382,000	
Edward Schafer (6)	Executive Vice Chairman and Director	2014	$ 75,000	$ -	$ -	$ 50,000	$ 48,750	-	$ 23,707	$155,942
		2013	$150,000						

									$ -
									$ -
									$ -
									$ -
									$ -
									$ -
									$ 148,707
									$ 354,692
George W. Bloom(7)	Chief Operating Officer	Bion Technologies	2014	$150,000					
			2013	$180,000					

												$ -	
												$ -	
												$ -	
												$ -	
												$ -	
												$113,485	
												$ -	
												$ -	
												$ -	
												$ -	
												$ -	
												$ -	
												$ 150,000	
												$ 293,485	
James W. Morris(7)													

Chief Technology Officer

Bion Technologies

2014

2013

$150,000

$180,000

$ -

$ -

$ -

$ -

$ -

$ 95,354

$ -

$ -

$ -

$ -

$ -

$ -

$ 150,000

$ 275,354

Jeremy
Rowland(8)

Chief Operating
Officer of

Services Group

2014

2013

$ 12,500

$150,000

$ -

$ -

$ 30,000

$ -

$ 14,634

$ -

$ -

$ -

$ -

$ -

$ -

$ 57,134

$ 150,000

(1)

Includes compensation paid by Bion Technologies, Inc. and our wholly owned subsidiaries.

(2)

Reflects the dollar amount expensed by the Company during the applicable fiscal year for financial statement reporting purposes pursuant to ASC 718.

(3)

Effective July 15, 2012, Mr. Smith has agreed to provide services to Bion and subsidiaries through a date no later than June 30, 2014, at an annual salary of $252,000 commencing September 1, 2012. Effective May 15, 2013, Mr. Smith entered into an agreement whereby his compensation would continue to be deferred and was transferred into a convertible promissory note. In consideration for the agreement Mr. Smith was granted execution/exercise bonuses to be effective upon future exercise of outstanding or subsequently acquired options and warrants and in relation to contingent stock bonuses, and their existing options and warrants as of that date, if due to expire prior to December 31, 2018, were extended. Commencing March 1, 2014, Mr. Smith voluntarily reduced his monthly salary to $14,000 on a temporary basis.

(4)

On September 30, 2009, the Company entered into an extension agreement with Brightcap for services provided to the Company by Dominic Bassani at an annual salary of $312,000 for services provided through September 30, 2012. Effective May 13, 2011, the Company appointed Mr. Bassani Chief Executive Officer due to the resignation of William O'Neill. In July 2012, the Company and Brightcap agreed to an extension of Mr. Bassani's services through June 30, 2014 at a salary of $26,000 per month. Effective May 15, 2013, Mr. Bassani entered into an agreement whereby his compensation would continue to be deferred and was transferred into a convertible promissory note. In consideration for the agreement Mr. Bassani was granted execution/exercise bonuses to be effective upon future exercise of outstanding or subsequently acquired options and warrants and in relation to contingent stock bonuses, and their existing options and warrants as of that date, if due to expire prior to December 31, 2018, were extended.

(5)

Effective May 15, 2013, Mr. Bassani and Mr. Smith entered into an agreement whereby their compensation would continue to be deferred and were transferred into convertible promissory notes, which agreements were extended during September 2014. In consideration for these agreements, Mr. Bassani and Mr. Smith were granted execution/exercise bonuses to be effective upon future exercise of outstanding or subsequently acquired options and warrants and in relation to contingent stock bonuses, and their existing options and warrants as of that date, if due to expire prior to December 31, 2018, were extended. The modification of the options and the warrants under the execution/exercise bonuses resulted in an incremental non-cash compensation expense of $1,480,000 and $967,000 to Mr. Bassani and Mr. Smith, respectively, for the year ended June 30, 2013.

(6)

Effective January 1, 2011, the Company entered into an employment agreement with Edward Schafer pursuant to which for a period of three years, Mr. Schafer will provide senior management services on an approximately 75% full time basis, initially as Executive Vice Chairman and as a director. Initially Mr. Schafer was paid at an annual rate of $250,000, which consisted of $150,000 in cash and $100,000 in common shares of the Company. Due to the cash constraints of the Company, since December 31, 2013, Mr. Schafer s employment with the Company has continued without any cash compensation due to his agreement to rely solely on bonuses which may be declared from time-to-time by the Company s Board of Directors, no such bonuses have been declared to date.

(7)

Mr. Bloom and Mr. Morris' employment contracts were terminated effective November 30, 2013, and each their salaries include accrued severance of $75,000, which sums the Company does not believe it owes at present.

(8)

Mr. Rowland's employment contact was terminated as of July 31, 2013, and he was awarded stock compensation of $30,000 related to his severance.

Employment Agreements:

Mark A. Smith (Smith) has held the positions of Director, President and General Counsel of Company and its subsidiaries under various agreements and terms since March 2003 (details regard earlier years and periods between 2003 and 2011 may be found in the Company s prior Forms 10-K and other SEC filings). During July 2011, the Company entered into an extension agreement pursuant to which Smith continued to hold his current positions in the Company through a date no later than December 31, 2012. Commencing January 1, 2012, Smith s monthly salary was $20,000, which has been accrued and deferred. In addition, Smith has been/will be issued 90,000 shares of the Company s common stock in two tranches of 45,000 shares on each of January 15, 2013 and 2014, respectively. As part of the extension agreement, Mr. Smith was also granted 200,000 options, which vested immediately, to purchase common shares of the Company at a price of $3.00 per share and which options expire on December 31, 2019. Effective July 15, 2012, the Company entered into an extension agreement pursuant to which Smith will continue to

hold his current positions in the Company through a date no later than June 30, 2014. Effective September 2012, Smith s monthly salary became $21,000 (which is currently being deferred). In addition, Smith will be issued 150,000 shares of the Company s common stock in two tranches of 75,000 shares on each of January 15, 2014 and 2015, which shares vested immediately. As part of the extension agreement, Smith was also granted a bonus of $25,000 paid in warrants, which vested immediately, to purchase 250,000 shares of the Company s common stock at a price of $2.10 per share and which warrants expire on December 31, 2018 and a contingent stock bonus of 100,000 shares payable on the date on which the Company s stock price first reaches $10.00 per share (regardless of whether Smith is still providing services to the Company on such date). Mr. Smith has voluntarily reduced his monthly deferred salary accrual to $14,000 due to the Company s financial situation. During September 2014 Mr. Smith agreed to extend: a) the term of his service with the Company, b) his compensation/salary deferral and c) the maturity date of his convertible note to a date no earlier than January 1, 2014 while a longer written extension/deferral agreement covering these and other matters is being negotiated.

Dominic Bassani (Bassani) has served in senior management positions with the Company (as a full-time consultant) since 2001 (see prior Forms 10-K for earlier years and other filings with the SEC). Since March 31, 2005, the Company has had various agreements with Brightcap, Bassani s family consulting company, through which the services of Bassani were provided through 2011. On September 30, 2009 the Company entered into an extension agreement with Brightcap pursuant to which Bassani provided services to the Company through September 30, 2012 for $312,000 annually (currently deferred). The Board appointed Bassani as the Company's CEO effective May 13, 2011. On July 15, 2011, Bassani, Brightcap and the Company agreed to an extension/amendment of the existing agreement with Brightcap which provides that Bassani serve as CEO through June 30, 2013 and would continue to provide full-time services to the Company in other capacities through June 30, 2014 at a salary of $26,000 per month. In addition Bassani will be issued 300,000 shares of the Company s common stock issuable in three tranches of 100,000 shares on each of January 15, 2015, 2016 and 2017, respectively. Bassani was also granted 725,000 options, which vested immediately, to purchase shares of the Company s common stock at $3.00 per share which options expire on December 31, 2019. Effective July 15, 2012, Bassani, Brightcap and the Company agreed to a further extension/amendment of the existing agreement with Brightcap which provides that Bassani will continue to provide the services of CEO through June 30, 2014. Bassani will continue to provide full-time services to the Company at a cash salary of $26,000 per month (which is currently being deferred) and Bassani will be issued 300,000 shares of the Company s common stock issuable in two tranches of 150,000 shares on each of January 15, 2015 and 2016, respectively, which will be immediately vested. As part of the extension agreement, Bassani was also granted a bonus of $5,000 paid in warrants, which vested immediately, to purchase 50,000 shares of the Company s common stock at a price of $2.10 per share and which warrants expire on December 31, 2018. During September 2014 Mr. Bassani agreed to extend: a) the term of his service with the Company, b) his compensation/salary deferral and c) the maturity date of his convertible note to a date no earlier than January 1, 2015 while a longer written extension/deferral agreement covering these and other matters is being negotiated.

On May 5, 2013, the Board of Directors approved agreements with Bassani and Smith, with effective date of May 15, 2013, in which Bassani and Smith have agreed to continue to defer their respective cash compensation through April 30, 2014 (unless the Board of Directors elects to re-commence cash payment on an earlier date) and to extend the due dates of their respective deferred cash compensation until January 15, 2015. The Company has provided Bassani and Smith with convertible promissory notes which reflect all the terms of these agreements to which future accruals will

be added as additional principal. As part of the agreements, Bassani and Smith have also forgiven any possible obligations that Bion may have owed each of them in relation to unused vacation time for periods (over 10 years) prior to June 30, 2012. In consideration of these agreements, Bassani and Smith: a) have been granted 50% execution/exercise bonuses to be effective upon future exercise of outstanding (or subsequently acquired) options and warrants owned by Bassani and Smith (and their respective donees) and in relation to contingent stock bonuses; b) their warrants and options, if due to expire prior to December 31, 2018, have been extended to that date (with possible further extensions); and c) other modifications have been made.

Effective January 1, 2011, the Company entered into an employment agreement with Edward Schafer (Schafer) pursuant to which for a period of three years, Schafer will provide senior management services to the Company on an approximately 75% full time basis, initially as Executive Vice Chairman and as a director. Compensation for Schafer s services will initially be at an annual rate of $250,000, which will consist of $150,000 in cash compensation and $100,000 payable in the Company s common stock. Commencing the month following the first calendar month-end after the Company has completed an equity financing in excess of $3,000,000 (net of commissions and other offering expenses), Schafer s compensation shall be at an annual rate of $225,000, all of which shall be payable in cash. Effective July 15, 2012, the Company entered into a deferral/employment/ compensation agreement with Schafer pursuant to which Schafer provides senior management services to the Company on an approximately 75% full time basis, as Executive Vice Chairman and as a director. Basic compensation for Schafer s services remains unchanged and Schafer was issued 100,000 options to purchase shares of the Company s common stock at $2.10 per share until December 31, 2018, which immediately vested and a contingent stock bonus of 25,000 shares payable on January 1 of the first year after the Company s stock price first reaches $10.00 per share (regardless of whether Schafer is still providing services to the Company on such date). Since May 15, 2012 Schafer has been deferring the cash portion of the compensation due him from the Company, in consideration of which he has been granted a 50%

execution/exercise bonus to be effective upon future exercise of outstanding (or subsequently acquired) options and warrants owned by Bassani and Smith (and their respective donees) and in relation to contingent stock bonuses. Effective January 1, 2014, Mr. Schafer agreed to continue his services to the Company as Director and Executive Vice-Chairman without periodic compensation in light of the Company s financial situation. Mr. Schafer agreed not to receive any periodic compensation (cash or deferred) commencing January 1, 2014 and will be compensated with bonuses from time-to-time as determined to be appropriate by the Board of Directors. No such bonuses have been declared to date. It is anticipated that a new employment/compensation agreement with Mr. Schafer will be negotiated during the current fiscal year.

Effective February 1, 2011, the Company entered into an employment agreement with James Morris, pursuant to which Mr. Morris agreed to serve as Chief Technology Officer of the Company through January 31, 2015 at an annual salary of $150,000 until July 1, 2011, at which time the annual salary shall be increased to $180,000, which increase has been deferred and accrued by the Company. Mr. Morris employment with the Company was terminated effective November 30, 2013. The Company is involved in litigation with Mr. Morris related to the termination. See Item 3. Legal Proceedings above.

Effective September 27, 2011, the Company entered into an employment agreement with George Bloom pursuant to which Mr. Bloom agreed to serve as Chief Engineering Officer of the Company through January 31, 2015 at an annual salary of $150,000 until July 1, 2011, at which time the annual salary shall be increased to $180,000, which increase has been deferred and accrued by the Company. Mr. Bloom s employment with the Company was terminated effective November 30, 2013.

Other Agreements

As of September 1, 2014, the Company had outstanding Contingent Stock Bonuses of 492,500 shares, in aggregate, to its key employees and consultants, pursuant to which 415,000 shares, in aggregate, will be issued when the Company s common stock trades at or above $10.00 per share and 77,500 shares, in aggregate, will be issued when Company s common stock trades at or above $20 per share (of which 425,000, in aggregate, are owned by Bassani, Smith and Schafer and are subject to execution bonuses, per managerial agreements, that will be triggered upon Bion s common stock reaching a closing price equal to 50% of currently specified prices).

Effective January 1, 2011, the Company made grants of stock bonuses aggregating 185,000 shares, which grants are split among all of the Company's core employees and consultants pursuant to the Company's 2006 Consolidated Incentive Plan, as amended.

On January 1, 2011 the Company granted Smith a Contingent Stock Bonus of 50,000 shares. These stock bonuses do not require that Smith remains employed by the Company.

In January 2012, the Company granted an employee (in consideration for extension of his employment agreement) 25,000 Contingent Stock Bonuses; 12,500 shares to be issued if the Company s stock price exceeds each of $10.00 and $20.00 per share, respectively.

On July 15, 2012, the Company granted Smith and Schafer Contingent Stock Bonuses of 100,000 and 25,000 shares, respectively. The stock bonuses are contingent upon the Company s stock price exceeding $10.00 per share. These stock bonuses do not require that Smith or Schafer remain employed by the Company.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth the number of shares of common stock covered by outstanding stock option awards that are exercisable and unexercisable, and the number of shares of common stock covered by unvested restricted stock awards for each of our named executive officers as of June 30, 2014.

48

Outstanding Equity Awards at Fiscal Year-End

Option Awards

Stock Awards

Equity

Equity

Incentive Plan

Equity

Incentive Plan

Awards:

Market

Incentive Plan

Awards:

Number of

Number of

Number of

								Number of	
								Value of	
								Awards:	
								Market or	
								Securities	
								Securities	
								Securities	
								Shares or	
								Shares or	
								Number of	
								Payout Value of	
								Underlying	
								Underlying	
								Underlying	

Units of	Units of	Unearned Shares,	Unearned Shares,	Unexercised	Unexercised	Unexercised	Option	Option	Stock That	Stock That	Units or Other	Units or Other	Options (#)	Options (#)	Unearned	Exercise	Expiration

Have Not

Have Not

Rights That Have

Rights That Have

Name

Exercisable

Unexercisable

Options (#)

Price ($)

Date

Vested (#)

Vested

Not Vested

Not Vested

Mark A. Smith (1)	25,000	--	--	$1.00	2018	--	--	--
Mark A. Smith (1)	25,000	--	--	$1.25	2018	--	--	--

--

--

--

Mark A. Smith (1)

20,000

--

--

$2.00

2018

--

--

--

--

Mark A. Smith (1)

125,000

--

--

$2.20

2018

--

--

						--	
						--	
					Mark A. Smith (1)		
					25,000		
						--	
						--	
					$2.25		
					2018		
						--	
						--	
						--	
						--	
					Mark A. Smith (1)		
					105,000		
						--	
						--	
					$2.50		
					2018		

Mark A. Smith (1)	50,000	--	--	$3.00	2018	--	--	--
Mark A. Smith (1)	200,000	--	--	$3.00	2019	--	--	--

								Mark A. Smith (1)	
								112,500	
								--	
								--	
								$4.25	
								2018	
								--	
								--	
								--	
								--	
								Mark A. Smith (1)	
								12,500	
								--	
								--	
								$5.50	
								2018	
								--	
								--	
								--	
								--	

Brightcap/ Dominic Bassani (1)	
725,000	
--	
--	
$3.00	
2019	
--	
--	
--	
--	

Edward Schafer (1)	100,000	--	--	$2.10	2018	--	--	--
Edward Schafer (1)	300,000	--	--	--	--	--	--	--

								--	
								--	
								$2.25	
								2018	
								--	
								--	
								--	
								--	
							Edward Schafer (1)	200,000	
								--	
								--	
								$3.00	
								2018	
								--	
								--	
								--	
								--	

Jeremy Rowland	
	200,000
	--
	--
	$3.00
	2017
	--
	--
	--
	--

(1)

All options and contingent stock bonuses are subject to a 50% execution/exercise bonus upon notice of intent to exercise or issuance of contingent shares as applicable.

Director Compensation

Members of the Board of Directors do not currently receive any cash compensation for their services as Directors, but are entitled to be reimbursed for their reasonable expenses in attending meetings of the Board. However, it is the Company's intention to begin to pay cash compensation to Board members at some future date.

DIRECTOR COMPENSATION

The following table sets forth certain information regarding the compensation paid to directors during the fiscal year ended June 30, 2014:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)

			Option Awards ($)[1]	Non-equity Incentive Plan Com-pensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compen-sation ($)	Total ($)

Jon Northrop	
-	
-	
11,750	
-	
-	
-	
$11,750	

(1)

Reflects the dollar amount expensed by the Company during the applicable fiscal year for financial statement reporting purposes pursuant to ASC 718.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

At September 8, 2014, the Company had issued 19,787,068 shares of its common stock, of which 19,082,759 are outstanding (the balance of 704,309 shares are owned by Centerpoint, the Company's majority owned subsidiary).

The following table sets forth certain information regarding the beneficial ownership of our common stock as of September 8, 2014 by:

each person that is known by us to beneficially own more than 5% of our common stock;

each of our directors;

each of our executive officers and significant employees; and

all our executive officers, directors and significant employees as a group.

Under the rules of the Securities and Exchange Commission, beneficial ownership includes voting or investment power with respect to securities and includes the shares issuable under stock options that are exercisable within sixty (60) days of September 8, 2014. Those shares issuable under stock options are deemed outstanding for computing the percentage of each person holding options but are not deemed outstanding for computing the percentage of any other person. The percentage of beneficial ownership schedule is based upon 19,082,751 shares outstanding as of September 8, 2014. The address for those individuals for which an address is not otherwise provided is c/o Bion Environmental Technologies, Box 566/1774 Summitview, Crestone, Colorado 81131. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting power and investment power with respect to all shares of common stock listed as owned by them.

Name and Address	Shares of Common Stock Beneficially Owned		
	Number	Percent of Class Outstanding	Entitled To Vote

Centerpoint Corporation[1] Box 566/1774 Summitview Way Crestone, CO 81131	704,309	3.6%	-	
Dominic Bassani[2] 64 Village Hills Drive Dix Hills, NY 11746	3,597,899			

						16.6%	
						17.1%	
Anthony Orphanos[3] c/o Blacksmith Advisors, LLC 40 West 57th Street New York, NY 10012					2,174,450		
						10.9%	
						11.3%	

Danielle Christine Bassani[4] c/o Dominic Bassani 64 Village Hills Drive Dix Hills, NY 11746	1,879,477	8.9%	9.2%
Mark A. Smith[5]			

			2,545,702	
			12.0%	
			12.4%	
	Edward T. Schafer[6]			
			758,254	
			3.7%	
			3.7%	

Jon Northrop[7]	433,221	2.2%	2.2%	
All executive officers, directors and significant employees as a group (4 persons)	7,335,076	30.5%	31.4%	

(1)

Centerpoint Corporation is currently majority owned by the Company. Under Colorado law, Centerpoint Corporation is not entitled to vote these shares unless otherwise ordered by a court. These shares of common stock may be distributed to the shareholders of Centerpoint Corporation at a future date pursuant to a dividend declared during July 2004. The shares distributed to Bion, if any, will be cancelled immediately upon receipt.

(2)

Includes 5,624 shares, 725,000 shares underlying options and 1,150,000 shares underlying warrants held directly by Mr. Bassani; 30,000 shares underlying warrants owned jointly with Mr. Bassani s wife; 354,342 shares and 25,000 shares underlying warrants held by Mr. Bassani's wife; and 839,933 shares held in IRA accounts of Mr. Bassani and his wife. Also includes 468,000 shares owned by Mr. Bassani's daughter, Danielle Bassani. Mr. Bassani has also been granted 250,000 shares of contingent stock bonuses that are not included in this calculation. Does not include 600,000 shares, in aggregate, which the Company has committed to issue to Mr. Bassani during 2014-2016. Does not include units that could be issued on the conversion by Bassani of deferred compensation promissory notes in the amount of $1,285,195. The maturity date of the promissory notes has been deferred to January 15, 2015, and Bassani has the option to convert this amount into units with each unit consisting of 1 share of common stock and 1 warrant exercisable at $2.50 per share until December 31, 2016. The conversion price will be $.75 per unit. Does not include 155,834 shares of common stock that could be issued on the conversion (at the election of Bassani) by Bassani of deferred compensation in the amount of $233,750. Mr. Bassani disclaims ownership of 1,411,477 shares underlying warrants held by The Danielle Christine Bassani Trust, which is separately itemized herein. Mr. Bassani's adult daughter, who lives with him, is the beneficiary of the Danielle Christine Bassani Trust and Mr. Bassani is not one of the trustees of the trust. Mr. Bassani further disclaims beneficial ownership of shares and warrants owned by various other family members, none of whom live with him or are his dependents, and such shares are not included in this calculation.

(3)

Includes 493,563 shares held directly by Mr. Orphanos plus 188,250 and 10,000 shares, respectively, underlying warrants and options held directly by Mr. Orphanos; 130,263 shares held jointly with his wife; and 1,352,374 shares held in IRA accounts. Not included are 100,000 shares and 1,411,477 shares underlying warrants held by the Danielle Christine Bassani Trust, of which Mr. Orphanos is a co-trustee and 3,292,198 common shares owned by certain clients of Blacksmith Advisors, over which Mr. Orphanos exercises discretionary authority (which shares include: a) 839,933 shares held in IRA accounts for Mr. Bassani and his wife; b) 354,342 shares held by Mr. Bassani s wife; c) 5,624 shares held by Mr. Bassani personally; and d) 68,000 shares owned by Danielle Bassani). Mr. Orphanos disclaims beneficial ownership of the shares listed in the preceding sentences because he has no pecuniary interest in the shares.

(4)

Represents 1,411,477 shares underlying warrants held by The Danielle Christine Bassani Trust, Anthony Orphanos and Donald Codignotto, trustees and 468,000 shares owned by Danielle Bassani, beneficiary of the trust.

(5)

Includes 911,931 shares held directly by Mark A. Smith; 700,000 shares underlying options held directly by Mr. Smith; 796,500 shares underlying warrants held directly by Mr. Smith; 20,834 shares held jointly with his wife; 53,756 shares held by his wife; and 62,681 shares of common stock held by LoTayLingKyur Foundation which is controlled by Mr. Smith. Does not include 150,000 shares of contingent stock bonuses and 75,000 shares under the Company s 2006 Consolidated Investment Plan that the Company has committed to issue to Mr. Smith during 2015. Does not include units that could be issued on the conversion (at the election of Mr. Smith) by Mr. Smith of deferred compensation promissory note in the amount of $780,170. The due date of this compensation has been deferred to January 15, 2015, and Mr. Smith has the option to convert this amount into units with each unit consisting of 1 share of common stock and 1 warrant exercisable at $2.50 per share until December 31, 2016. The conversion price will be $.75 per unit. Does not include shares and warrants owned by various family members of which Mr. Smith disclaims beneficial ownership. Mr. Smith is also the President of Centerpoint, although shares owned by Centerpoint are not entitled to a vote while held by Centerpoint.

(6)

Includes 158,254 shares held directly by Mr. Schafer and options to purchase 600,000 shares. Does not include 25,000 shares of contingent stock bonuses.

(7)

Includes 137,492 shares held directly by Jon Northrop; 16,464 shares owned by Jon Northrop's wife; 9,265 shares owned jointly by Jon Northrop and his wife; and options to purchase 270,000 shares held by Jon Northrop. Does not include shares owned by the adult children of Jon Northrop.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Other than the employment/consulting agreements, deferred compensation arrangements and conversions of debt described above in Item 1 Business and Item 11 Executive Compensation, there are no related party transactions except that:

The Company executed a non-cancellable operating lease for office space in New York City effective August 1, 2006 and extending to November 30, 2013. The average monthly rent under the lease is $15,820. The Company provided the lessor with a letter of credit in the amount of $128,443 in connection with the lease which reduces over the term of the release. The Company's obligations under the lease are partially guaranteed by Salvatore Zizza, former Chairman of Projects Group. Effective January 1, 2009, Mr. Zizza entered into a Master Sublease with the Company pursuant to which Mr. Zizza became a sublessee and, for a one year initial period, became responsible to make all payments pursuant to the lease and manage the lease premises. Rental payments from existing sub-tenants are being deposited into a Company bank account and Mr. Zizza has utilized such funds as partial funding of the monthly lease payments. Subsequently, Mr. Zizza exercised his option to continue the Master Sublease for the entire period of the lease. Mr. Zizza fulfilled his obligations under the Master Sublease during the one year initial period and, therefore, he received the funds from the next release from restricted funds securing the Company's letter of credit approximating $28,000. If Mr. Zizza exercised the option to continue the Master Sublease for the entire term of the lease, and, therefore, received approximately $57,000 balance of restricted funds securing the letter of credit which was terminated. The Company no longer has any obligations related to the lease and/or the office space.

No directors of the Company are considered to be independent directors.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Audit Fees

In December 2005, the Company engaged GHP Horwath, P.C. as its independent registered public accounting firm. The aggregate fees billed for each of the last two fiscal years ended June 30, 2013 and June 30, 2014 by GHP Horwath, P.C. for professional services rendered for the audit of the Company's annual financial statements and reviews of interim financial statements included in the Company's quarterly reports on Form 10-Q (and related matters) were $59,400 and $59,500, respectively.

Audit Related Fees

There were no fees billed by GHP Horwath, P.C. for audit-related fees in each of the last two fiscal years ended June 30, 2013 and June 30, 2014.

Tax Fees

The aggregate fees billed for tax services rendered by GHP Horwath, P.C. for tax compliance and related services for the two fiscal years ended June 30, 2013 and June 30, 2014 were nil and $1,090, respectively.

All Other Fees

None.

Audit Committee Pre-Approval Policy

Under provisions of the Sarbanes-Oxley Act of 2002, the Company's principal accountant may not be engaged to provide non-audit services that are prohibited by law or regulation to be provided by it, and the Board of Directors (which serves as the Company's audit committee) must pre-approve the engagement of the Company's principal accountant to provide audit and permissible non-audit services. The Company's Board has not established any policies or procedures other than those required by applicable laws and regulations.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) **Exhibits**

Exhibit Number	***Description and Location***
3.1	Articles of Incorporation. (1)
3.2	Bylaws. (1)
10.1	Subscription Agreement dated January 10, 2002 between Bion Environmental Technologies, Inc. and Centerpoint Corporation regarding issuance of stock in exchange for cash and claims regarding Aprilia. (1)
10.2	Agreement dated March 15, 2002 and effective January 15, 2002 between Bion Environmental Technologies, Inc. and Centerpoint Corporation regarding purchase of warrant and management agreement. (1)
10.3	Agreement dated February 12, 2003 between Bion Environmental Technologies, Inc. and Centerpoint Corporation canceling provisions of the Subscription Agreement by and between Bion Environmental Technologies, Inc. and Centerpoint Corporation. (1)

10.4

Promissory Note and Security Agreement between Bion Environmental Technologies, Inc. and Bright Capital, LLC. (1)

10.5

First Amendment to Lease between Bion Environmental Technologies, Inc. and Pan Am Equities Corp. (1)

10.6

Agreement between Bion Environmental Technologies, Inc. and Bergen Cove. (1)

10.7

Agreement between Bion Environmental Technologies, Inc. and David Mitchell dated April 7, 2003. (1)

10.8

Letter Agreement with Bright Capital, Ltd. (1)

10.9

Agreement with OAM, S.p.A. dated May 2003. (1)

10.10

Amended Agreement with Centerpoint Corporation dated April 23, 2003. (1)

10.11

Form of Series A Secured Convertible Notes issued in August 2003. (1)

10.12

Financing Documents for Bion Dairy Corporation. (1)

10.13

Form of Class SV/DB Warrant. (1)

10.14

Form of Class SV/DM Warrant. (1)

10.15

Form of Series A* Secured Convertible Notes issued in April 2004. (1)

10.16

Form of Series B Secured Convertible Notes issued in Spring 2004. (1)

10.17

Form of Series B* Secured Convertible Notes issued in June 2004. (1)

10.18

Form of Series C Notes issued in September 2005. (1)

10.19

Form of 2006 Series A Convertible Promissory Notes issued in September 2006. (1)

10.20

Form of Non-Disclosure Agreement used by the Company. (1)

10.21

Promissory Note and Conversion Agreement between Bion Environmental Technologies, Inc. and Mark A. Smith related to deferred compensation. (1)

10.22

Promissory Note and Conversion Agreement between Bion Environmental Technologies, Inc. and Bright Capital, Ltd. related to deferred compensation. (1)

10.23

Employment agreement with Mark A. Smith. (1)

10.24

Employment agreement with Salvatore Zizza. (1)

10.25

Employment agreement with Bright Capital, Ltd. (1)

10.26

Employment agreement with Jeff Kapell. (1)

10.27

Employment agreement with Jeremy Rowland. (1)

10.28

Office lease at 641 Lexington Avenue, 17th Floor, New York. (1)

10.29

2006 Consolidated Incentive Plan. (1)

10.30

Memo to Dominic Bassani & Bright Capital, Ltd. dated October 16, 2006 regarding Change in Title/Status of DB/Amendment to Brightcap Agreement. (1)

10.31

Letter Agreement between Bion Dairy Corporation and Fair Oaks Dairy Farms dated June 19, 2006. (2)

10.32

Waiver and Release Agreement with Ardour Capital Investments, LLC. (2)

10.33

Promissory Note and Conversion Agreement for Mark Smith, dated January 1, 2007. (2)

10.34

Promissory Note and Conversion Agreement for Salvatore Zizza, dated January 1, 2007. (2)

10.35

Promissory Note and Conversion Agreement for Bright Capital, Ltd., dated January 1, 2007. (2)

10.36

Extension Agreement dated March 31, 2007 between the Company and Mark A Smith. (3)

10.37

Form of Note dated March 31, 2007 in the amount of $151,645.89 in favor of Mark A. Smith. (3)

10.38

Form of Note dated March 31, 2007 in the amount of $379,389.04 in favor of Salvatore Zizza. (3)

10.39

Form of Note dated March 31, 2007 in the amount of $455.486.30 in favor of Bright Capital, Ltd. (3)

10.40

Stipulation and Agreement of Compromise and Release dated May 21, 2007 between Centerpoint Corporation, Bion Environmental Technologies, Richard Anderson and Joseph Foglia, as Plaintiffs, and Comtech Group, Inc., OAM S.p.A., Invested Ernst & Company and others as Defendants. (4)

10.41

Stipulation and Agreement of Compromise, Settlement and Release dated May 15, 2007 between TCMP3 Partners, LLP as Plaintiff and Bion Environmental Technologies, Inc. and Bion Dairy Corporation, among others, as Defendants. (4)

10.42

Stipulation and Agreement of Compromise, Settlement and Release as to Certain Defendants dated May 15, 2007 between TCMP3 Partners, LLP as Plaintiff and certain defendants other than Bion Environmental Technologies, Inc. and Bion Dairy Corporation. (4)

10.43

Letter of Intent dated August 18, 2007 between Bion Environmental Technologies, Inc. and Evergreen Farm, Inc. (5)

10.44

Memorandum of Understanding with Kreider Farms. (6)

10.45

Subscription Agreement from Bright Capital, Ltd. (7)

10.46

Amendment to 2006 Consolidated Incentive Plan. (7)

10.47

Agreement between the Company and Mark A. Smith dated May 31, 2008. (7)

10.48

2007 Series AB Convertible Promissory Note. (8)

10.49

Promissory Note between Bion Environmental Technologies, Inc. and Salvatore Zizza. (9)

10.50

Promissory Note between Bion Environmental Technologies, Inc. and Dominic Bassani. (9)

10.51

Agreement between Jeff Kapell and Bion dated November 1, 2008. (10)

10.52

Agreement between David Mager and Bion dated November 1, 2008. (10)

10.53

Promissory Note between Anthony Orphanos and Bion dated October 30, 2008, Guaranteed by Dominic Bassani. (10)

10.54

Addendum to Settlement Agreement and Release Stipulation from Bion, Bion Dairy and Mark Smith dated October 31, 2008. (10)

10.55

Kreider Farms Agreement (September 25, 2008): REDACTED. (11)

10.56

Agreement between Salvatore Zizza and Bion effective December 31, 2008. (12)

10.57

Amendment #3 to 2006 Consolidated Incentive Plan. (12)

10.58

Agreement between Bright Capital, Ltd. and Dominic Bassani and Bion effective January 11, 2009. (13)

10.59

Agreement between Mark A. Smith and Bion effective January 12, 2009. (13)

10.60

Orphanos Extension Agreement dated January 13, 2009. (13)

10.61

Articles of Amendment including Statement of Designation and Determination of Preferences of Series B Convertible Preferred Stock. (14)

10.62

Lease Agreement between Ronald Kreider and Kreider Farms and Bion PA 1 LLC dated June 26, 2009. (15)

10.63

Capitalization Agreement between Bion Companies and Bion PA 1 LLC dated June 30, 2009. (15)

10.64

Zizza Notice re Master Sublease Option Exercise (November 20, 2009). (16)

10.65

Town of Schroeppel resolution (December 10, 2009). (16)

10.66

Articles of Amendment including Statement of Designation and Determination of Preferences of Series C Convertible Preferred Stock. (17)

10.67

Extension Agreement with Mark A. Smith. (18)

10.68

Agreement with Edward Schafer. (18)

10.69

Accepted Funding Offer (base loan agreement) (without exhibits) with PENNVEST for Kreider Farms Project Loan -- effective November 3, 2010. (19)

10.70

Short Form Agreement. (20)

10.71

Resume of William O Neill. (20)

10.72

Loan & Security Agreement with Milestone Bank. (21)

10.73

O'Neill Employment Agreement (dated December 22, 2010). (22)

10.74

Schafer Employment Agreement (dated December 21, 2010). (22)

10.75

Biography of Edward T. Schafer. (22)

10.76

James Morris Employment Agreement. (23)

10.77

John R. Grabowski Employment Agreement. (23)

10.78

Kreider Farms Clarification Agreement. (23)

10.79

Resignation of William O Neill (effective May 13, 2011). (24)

10.80

PADEP Certification of Kreider Poultry Credits. (25)

10.81

Bassani/Bright Capital Extension Agreement (executed August 31, 2011) (26)

10.82

Smith Extension Agreement (executed August 31, 2011) (26)

10.83

Bloom Employment Agreement (executed September 30, 2011) (27)

10.84

Extension/Conversion Agreement with Smith and Bassani (dated March 31, 2012) (28)

10.85

Memorialization of extension of Maturity of Bassani convertible deferred compensation (dated July 31, 2012) (29)

10.86

Kreider Permit (dated August 1, 2012) (29)

10.87

Memorialization of Smith Extension Agreement (dated August 14, 2012) (30)

10.88

Memorialization of Bassani Extension Agreement (dated August 14, 2012) (30)

10.89

Memorialization of Schafer Agreement (dated August 21, 2012) (30)

10.90

Board Ratification dated May 5, 2013 (31)

10.91

Demand Promissory Note dated May 13, 2013 (31)

10.92

Pennvest Demand Letter (dated September 25, 2014) Filed herewith electronically.

21

Subsidiaries of the Registrant. (1)

23.1

Consent of GHP Horwath, P.C., Independent Registered Public Accounting Firm - Filed herewith electronically.

31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Filed herewith electronically.

31.2

Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Filed herewith electronically.

32.1

Certification of Chief Executive Officer Pursuant to Section 18 U.S.C. Section 1350 - Filed herewith electronically.

32.2

Certification of Principal Financial Officer Pursuant to Section 18 U.S.C. Section 1350 - Filed herewith electronically.

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(1)

Filed with Form 10SB12G on November 14, 2006.

(2)

Filed with Form 10SB12G/A on February 1, 2007.

(3)

Filed with Form 8-K on April 3, 2007.

(4)

Filed with Form 8-K on August 13, 2007.

(5)

Filed with Form 8-K on August 22, 2007.

(6)

Filed with Form 8-K on February 27, 2008.

(7)

Filed with Form 8-K on June 3, 2008.

(8)

Filed with Form 8-K on June 19, 2008.

(9)

Filed with Form 8-K on September 30, 2008.

(10)

Filed with Form 8-K on November 13, 2008.

(11)

Filed with September 30, 2008 Form 10-Q on November 14, 2008.

(12)

Filed with Form 8-K on January 6, 2009.

(13)

Filed with Form 8-K on January 15, 2009.

(14)

Filed with March 31, 2009 Form 10-Q on May 14, 2009.

(15)

Filed with Form 8-K on July 2, 2009.

(16)

Filed with Form 8-K on December 15, 2009.

(17)

Filed with December 31, 2009 Form 10-Q on February 9, 2010.

(18)

Filed with Form 8-K on August 18, 2010.

(19)

Filed with Form 8-K on November 3, 2010.

(20)

Filed with Form 8-K on November 22, 2010.

(21)

Filed with Form 8-K on December 6, 2010.

(22)

Filed with Form 8-K on December 28, 2010.

(23)

Filed with Form 8-K on March 16, 2011.

(24)

Filed with Form 8-K on May 13, 2011.

(25)

Filed with Form 8-K on June 1, 2011.

(26)

Filed with Form 8-K on September 2, 2011.

(27)

Filed with Form 8-K on October 4, 2011.

(28)

Filed with Form 8-K on April 4, 2012.

(29)

Filed with Form 8-K on August 3, 2012

(30)

Filed with Form 8-K on August 21, 2012.

(31)

Filed with March 31, 2013 Form 10-Q on May 14, 2013.

(b) **Financial Statement Schedules**

Our consolidated financial statements being filed as part of this Form 10-K are filed on Item 8 of this Form 10-K. All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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